

SHORINGUP RESILIENCE

Harnessing Offshore Banking to Strengthen Bangladesh's Financial Future

PRIYAM PAUL

The recent regulatory developments in offshore banking in Bangladesh are viewed as a vital new source of foreign exchange, especially during this period of shortage. These guidelines are expected to strengthen the national financial sector and have the potential to evolve into a stable source of forex through formal banking channels, ultimately contributing to the national economy.

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INNOVATIVE INVESTMENT
options vital for foreign
investors

Dhaka Bank has extensive experience in offshore banking, being one of the first local private banks to secure an offshore banking license. Currently, the bank operates two Offshore Banking Units (OBUs) and a customer service center, offering a comprehensive range of offshore banking services.

Throughout its journey, Dhaka Bank has not only catered to customers in Export Processing Zones (EPZs) by providing complete trade finance solutions but has also contributed to the development of the country's power sector and manufacturing industries. The bank has financed the establishment of new power plants and export processing factories. Additionally, it provides short-term post-export finance to exporters, helping them manage import liabilities during currency crises. The bank also offers buyers' credit to eligible importers, supporting local demand for raw materials and commodities.

In response to the Offshore Banking Act 2024 and related central bank circulars, Dhaka Bank offers a range of financial products tailored for non-resident investors. These include Foreign Currency (FC) account products, available in both current and savings forms, as well as term deposit products of varying tenors, with competitive, benchmark-linked interest rates and zero charges. Furthermore, the bank's digital platform ensures a seamless account opening process, providing global accessibility and convenience.

Offshore banking services have the potential to significantly enhance a country's financial sector by increasing capital flow, thereby providing domestic businesses and projects with greater liquidity and more cost-effective funding opportunities. To fully capitalize on these benefits, it is essential to offer innovative alternative investment options for foreign investors. Such efforts will not only expand the country's financial sector but also address foreign

currency challenges, stimulate economic growth, and boost GDP.

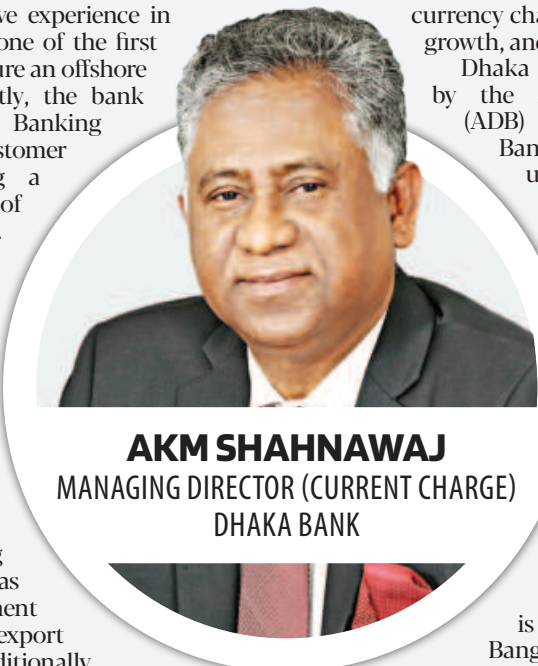
Dhaka Bank is recently recognized by the Asian Development Bank (ADB) as the "Leading Partner Bank in Bangladesh, 2024," underscoring its role as the most active partner bank in the country, having supported the highest number of international trade transactions in collaboration with the ADB during the last fiscal year. Partnerships with global organizations like ADB are crucial for offshore banking operations, as they build stakeholder confidence.

To further enhance investor confidence, it is essential to improve Bangladesh's country rating.

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A positive rating from agencies such as Moody's, Fitch, or S&P Global would attract global investors. Additionally, ensuring strong corporate governance within the banking sector and maintaining a stable national economy are imperative.

For long-term success, a robust legal framework is needed to protect investors' interests. Similar to deposit insurance schemes, investment insurance schemes could be a viable solution to safeguard investors.



AKM SHAHNAWAJ
MANAGING DIRECTOR (CURRENT CHARGE)
DHAKA BANK

ENSURING SAFETY
through governance
and compliance

Since the launch of our Offshore Banking Unit (OBU) at BRAC Bank, the experience has been highly encouraging and rewarding. The OBU has enabled us to expand our services to non-resident clients and tap into new business opportunities in foreign currency. We've seen strong interest from expatriates, reflecting the trust in BRAC Bank's stability and global reach.

We've seen a surge in customers using the OBU for savings and investment purposes, and the feedback has been very encouraging. This service has helped individual customers diversify their financial portfolios, manage their wealth efficiently, and take advantage of opportunities in both local and international markets. We look forward to scaling this service in the years to come.

BRAC Bank has successfully operated its OBU since its launch in November 2009, extending foreign currency lending facilities to various sectors, including short-term trade financing and long-term project financing. As of June 2024, the asset size stood at USD 708 million, primarily funded by overseas borrowings and corporate deposits.

The bank provides safety to the depositors with its highest standard of governance and compliance. We have the highest domestic and international credit ratings among all banks in Bangladesh. Currently, we are offering the best interest rates for offshore banking fixed deposit products, availing the option to deposit in three currencies (USD, GBP, and EURO). Savings can start with as little amount as 500 dollars without any upper limit. Some of the facilities are zero account maintenance fee; easy repatriation abroad, waiver from deduction of withholding tax on interest-earning and excise duty, 24/7 digital banking, etc.

As customers deposit foreign currencies, the OBU's foreign currency balance can significantly enhance the bank's FX liquidity, facilitating a

wider range of foreign trade financing, especially during the ongoing FX reserve challenges. This will make foreign currency management more efficient and cost-effective.

However, building trust among customers may pose challenges. In today's era of technological advancement, concerns over cybersecurity, compliance, and governance are paramount. Addressing these challenges requires collaborative efforts from government bodies, the central bank, and commercial banks to strengthen regulatory compliance, enhance transparency, improve banking infrastructure, and promote investment

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opportunities for non-residents.

The directives we expect from the central bank to ensure the long-term success of offshore banking include regulatory clarity and flexibility, foreign currency liberalization, and the development of specialized expertise. By implementing these directives, the offshore banking industry would be better positioned to contribute to economic growth and compete globally.



SELIM R.F. HUSSAIN
MANAGING DIRECTOR & CEO
BRAC BANK

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OVERVIEW OF OFFSHORE BANKING IN BANGLADESH

Interest/profit offered on fixed deposits is higher than the international rates and depends on the deposit period:

- For three months to one year: Benchmark reference rate + 1.5%
- For more than one year up to three years: Benchmark reference rate + 2.25%
- For more than three years up to five years: Benchmark reference rate + 3.25%



40 banks are currently engaged in offshore banking activities in Bangladesh.



The lending amount is BDT 83,826 crore.



No tax is charged on profits earned within offshore accounts, whereas a tax deduction of 10-15% was previously applicable.



Customers receive high-priority banking services, including meet-and-greet services, access to sky lounges, and Priority-Pass for international lounges, with a specified minimum deposit.



Offshore banking operations can be conducted using nine currencies: USD, EUR, GBP, JPY, AUD, CAD, CHF, CNH, and SGD.



Offshore account holders can earn interest rates of up to 8.60% on their fixed deposits.



Easy account opening, balance checking, online transaction and instant fund transfer facility for account holders.



Banks are no longer required to maintain the previously mandatory 2% CRR (cash reserve ratio) for offshore activities.



The total fund of offshore banking in Bangladesh is BDT 80,000 crore.



Fixed deposits can be made for terms ranging from 3 months to 5 years.



Resident Bangladeshi individuals or companies with bona fide relations to non-residents can also open and manage offshore accounts through International Banking Account.



Banks can now transfer up to 30% of their regulatory capital in foreign currency from domestic units to offshore accounts.

SOURCE: BANGLADESH BANK

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AVOIDING ABRUPT regulatory changes is essential

Since 2009, City Bank's Offshore Banking Unit (OBU) has been supporting trade finance for export-oriented businesses. Following regulatory changes introduced by Bangladesh Bank through FE Circular 19 on November 29, 2023, and the subsequent Offshore Banking Act 2024, the bank has expanded its services to include both retail and corporate customers. Initial customer interest has been highly positive. Although there was a learning curve at first, as we had to educate customers about offshore banking accounts and their associated benefits, we are now observing encouraging responses from both domestic and international clients.

The features offered by OBU fixed deposit accounts are largely similar across banks, including attractive interest rates (currently up to 7.07%), availability in multiple currencies, exemptions from tax and excise duties, and the ease of repatriating funds abroad. At City Bank, we offer a streamlined account opening process through our online OBU Account Opening portal. We also provide a 24/7 dedicated hotline to address any inquiries related to OBU accounts. Additionally, depositors maintaining a balance of USD 100,000 or more are eligible for complimentary membership in our Citygem priority banking service. This membership includes exclusive benefits such as access to the American Express Lounge in Dhaka, airport meet-and-greet services, and a Priority Pass for lounges at international airports. They will also have a Personal Relationship Manager assigned to them. These exclusive offerings have attracted significant interest from existing clients and generated buzz among potential depositors.

In the current environment of high inflation and rising interest rates, foreign financing remains more cost-effective than domestic options. OBUs present a valuable opportunity to enhance trade

finance in Bangladesh by increasing the inflow of foreign currency liquidity, which could help alleviate the ongoing pressure on the country's foreign currency reserves.

Expatriate Bangladeshis often express concerns about the financial stability of certain banks in Bangladesh, which contributes to their hesitation in depositing funds into Offshore Banking accounts. Media reports of banking scandals and irregularities have further fueled this negative perception. To address this, it would be beneficial for Bangladesh banks to obtain credit ratings from internationally recognized agencies such as Moody's or Fitch,

It would be beneficial for Bangladeshi banks to obtain credit ratings from internationally recognized agencies such as Moody's or Fitch, which would provide greater transparency and assurance regarding the health of these institutions.

which would provide greater transparency and assurance regarding the health of these institutions to expatriates and foreign nationals alike.

The central bank has played a key role in shaping the new landscape for OBU. We hope the central bank maintains a consistent approach to OBU policies and avoids making any drastic regulatory changes in a short period.



MASHRUR AREFIN
MANAGING DIRECTOR & CEO
CITY BANK

STREAMLINING VERIFICATION to enhance accessibility and convenience

The launch of our Offshore Banking (OB) deposit products for non-resident Bangladeshis (NRBs), foreign individuals, and corporations marks a significant milestone, opening new horizons for Bangladeshi banks in the global arena. Although offshore banking is still relatively new here, the response has been promising. Initial client feedback has been encouraging, and we see great potential for expansion as more people become aware of the benefits offered by EBL's offshore banking services. We anticipate a positive response as the country stabilizes.

EBL is renowned for its strong credit ratings, financial stability, digital banking services, and diverse product offerings. We maintain nostro accounts in major financial hubs—New York, London, Frankfurt, Tokyo, Singapore, and Sydney—in all major currencies, through partnerships with reputable international banks. These relationships have helped EBL build a distinct brand in the financial sector, both in Bangladesh and in countries with significant Bangladeshi diaspora engaged in trade, employment, and economic activities.

We offer unique benefits for investors, including savings accounts with competitive interest rates comparable to term deposits of varying maturities. Additionally, we accept online account opening requests globally, ensuring a hassle-free experience.

By attracting international investors and expatriate Bangladeshis to offshore accounts, we create a channel for capital inflow that drives economic growth. Sourcing foreign currency liquidity from diverse channels lowers the cost of foreign funds, enables competitive pricing for international trade, and provides importers with timely access to goods by offering prompt payments to beneficiaries on favorable terms.

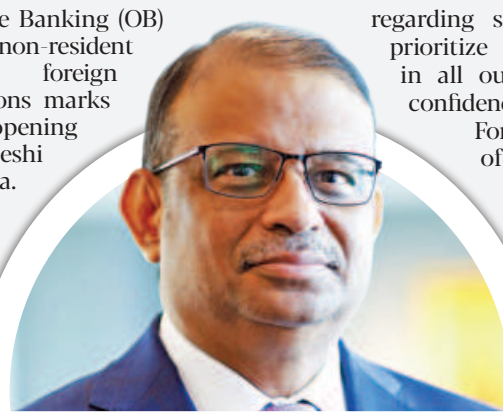
EBL's strong credit ratings and established reputation play a crucial role in addressing concerns

regarding security and reliability. We prioritize transparency and safety in all our operations, which builds confidence among our clients.

For the long-term success of offshore banking in Bangladesh, we require certain directives from the central bank. One key directive would be the establishment of provisions for passport verification, similar to the National ID verification process, for both e-passports and machine-readable passports (MRPs). This step is essential for facilitating remote account openings for offshore banking units and non-resident Bangladeshis (NRBs).

One key directive would be the establishment of provisions for passport verification, similar to the National ID verification process, for both e-passports and machine-readable passports (MRPs).

Streamlining the verification process will significantly enhance accessibility and convenience for clients. Additionally, clear and consistent regulatory guidelines are vital to maintaining a stable and secure environment for offshore banking operations. Support from the central bank in terms of regulatory clarity, operational guidelines, and international best practices will be instrumental in fostering the growth and sustainability of offshore banking in the country.



ALI REZA IFTEKHAR
MANAGING DIRECTOR & CEO
EASTERN BANK

ESCALATING Opportunities for Expatriates



PHOTO: PRABIR DAS

Despite a large segment of expatriates being semi-skilled or low-skilled workers without disposable income, some are showing interest in depositing their savings through offshore banking.

MUJIB RAHMAN

While Bangladesh earns a significant portion of its foreign currency inflow through exports and remittances, the recent Offshore Banking Act of 2024 presents a new avenue for boosting foreign reserves. Of the estimated 10 million Bangladeshi expatriates, approximately 2.4 million are either permanent residents or hold valid documents in as many as 162 countries. The new Offshore Banking Act aims to facilitate offshore banking, especially for Bangladeshi expatriates.

Most banks initially focused their offshore banking products on attracting white-collar Bangladeshi professionals working abroad. However, there is now a recognition of the potential market among semi-skilled and low-skilled workers as well. Despite a large segment of expatriates being semi-skilled or low-skilled workers without disposable income, some are showing interest in depositing their savings through offshore banking. While nearly all banks prioritize

high-income professional expatriates, certain banks, such as City Bank, are also reaching out to other remittance earners. In this regard, City Bank's Mahbub Jamil, head of Offshore Banking, has made some insightful observations:

"A significant number of Bangladeshi expatriates, primarily small business owners in the Middle East (UAE, KSA, Qatar) and Europe (Belgium, Italy, Portugal), belong to the middle-income and better-off segments, even if they are not highly professional. For these individuals, we offer a minimum deposit of \$2,000, compared to \$5,000 for white-collar professionals. While many low-skilled and semi-skilled expats in KSA earn around 1,500 Saudi riyal and cannot make fixed deposits, a growing number of middle-sized entrepreneurs are showing interest in offshore banking. Notably, we have surpassed other banks, holding nearly seven times the number of offshore accounts."

Thanks to government initiatives, Bangladesh is increasingly supplying skilled and professional migrants to the



PHOTO: PRABIR DAS

global labor pool, moving away from low-skilled jobs. As Bangladesh graduates from its Least Developed Country (LDC) status to a developing country, it will create more opportunities for Non-Resident Bangladeshis (NRBs) to invest in Bangladesh. During conversations with Mahbub Jamil, he reveals that a large number of high professionals, particularly in the Middle East, include doctors, mariners, and bankers.

It may be noted that around 2,800 expatriate Bangladeshi bankers are actively working in Middle Eastern countries, and 10,000 to 12,000 mariners are

SEE PAGE J10

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একটি মূলধনী ব্যাংক

Shoring Up Resilience: Harnessing Offshore Banking to Strengthen Bangladesh's Financial Future

Banks are offering attractive interest rates in foreign currencies. This initiative is seen not only as a remedy for the current foreign exchange crisis but also as a potential stable source of foreign exchange in the future, provided it is managed effectively.

FROM PAGE J1

The recent regulatory developments in offshore banking in Bangladesh are viewed as a vital new source of foreign exchange, especially during this period of shortage. These guidelines are expected to strengthen the national financial sector and have the potential to evolve into a stable source of forex through formal banking channels, ultimately contributing to the national economy.

Offshore banking was first introduced in Bangladesh in 1985 to facilitate financing in Export Processing Zones (EPZs). Recent policy changes, including the 2019 offshore banking framework and the 2024 Offshore Banking Act, have boosted interest in offshore banking among Non-Resident Bangladeshis (NRBs), foreign nationals, overseas firms, and investors in EPZs, EZs, and Hi-Tech Parks. These changes have led to a steady increase in popularity, as banks have received positive responses regarding foreign currency deposits.

"Currently, our businessmen are facing significant challenges in opening letters of credit (L/C) for imports due to the dollar crisis. By utilizing the foreign exchange received from offshore depositors, banks can help alleviate this issue, creating a mutually beneficial financial arrangement for potential NRB depositors, banks, and the national economy," says

Mustafa K. Mujeri, Executive Director of the Institute for Inclusive Finance and Development (InM), and former chief economist of Bangladesh Bank and Director-General of the Bangladesh Institute of Development Studies (BIDS). According to the latest Fortnightly Major Economic Indicators report by

Bangladesh Bank (Volume: 07/2024; Issue: 01), exports decreased by 4.34 percent, totaling USD 44.47 billion in FY24. The report attributes this decline primarily to a drop in knitwear exports in recent months. It also notes that the current account balance remains in deficit, with a shortfall of USD 6.51 billion in FY24, compared to USD 11.63 billion in FY23. The deficit is largely driven by the increasing trade gap. As a result, foreign exchange reserves declined from USD 31.20 billion on June 30, 2023, to USD 26.71 billion as of June 30, 2024.

Given the situation, the central bank's guidance on offshore banking operations aims to attract NRBs by relaxing asset declaration requirements and exempting interest on their savings and deposits from all duties and levies. Additionally, banks are offering attractive interest rates in foreign currencies. This initiative is seen not only as a remedy for the current foreign exchange crisis but also as a potential stable source of foreign exchange in the future, provided it is managed effectively.

Offshore banking operations can be conducted in nine currencies: the US dollar, Great British pound, euro, Swiss Franc, Canadian dollar, Australian dollar, Singapore dollar, Japanese yen, and Chinese yuan. To capitalize on this potential, banks are strategically setting up offshore banking units.

'NRB depositors can now earn higher interest on their deposits through Bangladesh's offshore banking system, as local banks are offering more competitive rates compared to the foreign banks where they previously kept their money. This is likely to encourage NRBs to deposit their foreign currency in local banks, attracted by the opportunity to earn lucrative interest in foreign currency for the first time in Bangladesh. Such deposits would also contribute significantly to boosting the country's forex reserves', adds Mustafa K. Mujeri.

Bank insiders believe that the most promising segment of the NRB community for offshore

banking could significantly boost GDP. Currently, there are over one crore NRBs, and foreign exchange is expected to stabilize beyond remittances.

Eastern Bank is carefully preparing to expand its offshore banking services and is actively reaching out to potential depositors through digital platforms to make it easier for NRBs to open accounts. The bank has already upgraded its IT infrastructure, launching it in June, and has since received numerous inquiries from potential clients.

"More than 11 million Bangladeshis are currently living abroad, and we must

missions in developed countries are now fully operational and should actively promote local banks' offshore banking services. This will boost service adoption and strengthen the diaspora's connection to national development.

Dhaka Bank's initial response has been positive, having already received around a million dollars. However, their target is higher, as many potential investors are currently in an observing phase. They anticipate an increase in deposits through this channel once the country's situation stabilizes.

"We are currently facing a reserve crisis, but the flow of foreign money through offshore channels can be invested in the financial sector, boosting GDP. Our industrial sector will also benefit from this, as it helps restore national confidence and yields positive impacts. With the proper permissions in place, not only NRBs but also foreign individuals, companies, and institutions can invest their funds in our banks, as the scope for investment continues to broaden. However, the country's stability and rating are crucial for success in the offshore banking sector.

If investors observe disturbances or negative news in the financial sector, they are unlikely to engage," states Rumman Habib, Vice President and Head of the Offshore Banking Division at Dhaka Bank.

SEE PAGE J7



acknowledge that the majority of NRBs who send remittances are from the working class. These remittances are typically converted into Taka, which often leaves the banking system. However, if funds from offshore banking units remain in foreign currency and depositors feel confident, this could become a reliable source of foreign currency for our country," says Md Mamunur Rashid, Head of International Business at Eastern Bank.

He emphasizes that Bangladeshi foreign

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REAP THE REWARDS

MIFTAHUL JANNAT

As more Bangladeshis live and work abroad, securing a prosperous future means making smarter financial choices today. Offshore banking has emerged as a strategic tool for Bangladesh, offering its citizens abroad a way to stay financially connected to their homeland while accessing global benefits. Besides Non-Resident Bangladeshis (NRBs) and expatriates, foreign nationals with Bangladeshi origins, as well as foreign individuals or companies, can open offshore accounts in Bangladesh. As the country strives to enhance its forex reserves, offshore banking provides a dual advantage—offering expats and remittance earners a secure way to invest their earnings while bolstering the national economy.

Banks in Bangladesh have launched an extensive effort to promote offshore banking following the enactment of the Offshore Banking Act in 2024. For instance, BRAC Bank and City Bank have marketed their offshore banking services through various campaigns and roadshows across New York, Canada, and Europe.

Other banks have also introduced tailored products and enhanced ease of access, bringing offshore banking to clients' fingertips. "Through our new digital portal, clients can easily open accounts by submitting a few essential documents online," said Imran Uddin Ahmad, Unit Head, OBU Operations and Assistant Vice President, MTB. Despite the current adversities in the banking sector, here's why opening an offshore account in Bangladesh is worth considering:

HIGH INTEREST RATES

Offshore accounts in Bangladesh offer attractive interest rates, higher than international benchmark rates such as SOFR or ESTR. For example, BRAC Bank's offshore product, 'Bondhon,' offers up to 8.60% interest on USD fixed deposits with terms ranging from three months to five years. "Such attractive returns on offshore deposits are rare in countries with credit ratings similar to Bangladesh. Developed nations typically offer lower returns," noted Shaheen Iqbal, DMD & Head of Treasury at BRAC Bank.

Bank Asia and Eastern Bank also offer competitive rates, with interest up to

7.60% and 7.47%, respectively, on USD fixed deposits. Similarly, Prime Bank provides up to 7.138%, while City Bank offers up to 7.10% on offshore banking unit (OBU) and international banking (IB) fixed deposits. Expats who regularly send money home can secure their extra earnings in offshore accounts, ensuring their value remains stable without being eroded by inflation or economic instability. Moreover, funds can be easily transferred to BDT accounts for necessary payments, allowing deposits to remain intact and growing until needed.

TAX-FREE INCOME AND MULTI-CURRENCY DEPOSITS

Offshore accounts in Bangladesh offer tax exemptions on income earned within the account, providing a tax-efficient way for account holders to save and invest. The flexibility to hold and transact in multiple currencies—such as USD, GBP, and EUR—also allows clients to seamlessly manage international transactions. "We are still extending our services under offshore banking and providing facilities like tax free income and multi-currency deposits will make our offshore stream more attractive to customers," said Md Mamunur Rashid, Head of International Business at Eastern Bank.

EASY ACCOUNT OPENING AND INSTANT FUND TRANSFER

Bangladeshi banks are increasingly digitalizing their offshore banking services, allowing clients to open accounts online without the need for

physical paperwork. This convenience extends to transactions, providing customers with around-the-clock access to their funds from anywhere in the world. "OBU accounts, both current and fixed, are easy to open and manage online, requiring minimal documentation. Customers can check their balance anytime through internet banking without any fees, repatriate and withdraw their funds or transfer it to onshore accounts whenever needed," said Md Zia Arfin, Senior Executive Vice President and Head of the International Division, Bank Asia.

On this note, Shaheen Iqbal of BRAC Bank added, "We offer e-KYC, online transactions, and smooth digital services. There's not much difference between banking with us and any other banks in the

deposit amount is bigger compared to other clients. We're getting good response from joint venture companies. Attracting more foreign institutions will provide a good boost to our reserves," commented Imran Uddin Ahmad of MTB. The prospect of offshore banking in Bangladesh is promising but it still requires massive scale marketing and creating appeal to the niche audiences for achieving full potential. "Banks alone cannot promote offshore banking. Embassies and foreign missions have to actively collaborate for a wider and global outreach. Economic stability of the country is crucial and establishing a better regulatory framework for asset protection will help gain investors' confidence," added Habib.

Bangladeshi banks are increasingly digitalizing their offshore banking services, allowing clients to open accounts online without the need for physical paperwork.



ILLUSTRATION: SOJIB ROY

client's host country."

HASSLE-FREE MAINTENANCE AND ZERO UPKEEP FEE

One major advantage of offshore accounts in Bangladesh is the absence of maintenance fees, making them easier to sustain over the long term. While some banks require a minimum initial deposit, others, like Prime Bank, offer accounts with zero balance requirements and allow joint account options for easier management. Moreover, resident Bangladeshi individuals, corporations, and specific industrial enterprises in Export Processing Zones (EPZs), Economic Zones (EZs), and High-Tech Parks (HTPs) with bona fide relations to non-residents can also open and manage offshore accounts, ensuring smooth and seamless maintenance.

EASY CONVERSION TO LOCAL CURRENCY AND INVESTMENT OPPORTUNITY

Offshore banking balances in any currency can be easily converted to BDT, and funds can be invested in Bangladesh. Many banks also offer consultancy services to assist clients in making informed investment decisions both in Bangladesh and abroad. "Most banks currently offer investment through offshore term deposit accounts, but Bank Asia also aims to offer other investment avenues. We are in discussions with reputable international organizations to enable our customers to invest in foreign stock and bond markets through their offshore accounts," said Zia Arfin of Bank Asia. He further mentioned that clients can also invest in the local stock and bond markets, with advisory support provided by the bank.

"Clients with deposits exceeding USD 100,000 are assigned a dedicated relationship manager to keep them updated on investment opportunities, offering market insights and tailored advice," added Mahbub Jamil, Head of Offshore Banking, City Bank.

DATA PRIVACY AND FINANCIAL SECURITY

Security is paramount in offshore banking, especially in the fully digitalized ecosystem. Strict confidentiality and advanced digital encryption methods are employed by banks to protect clients' financial information. "There are two-factor authentication and advanced digital security measures in place to protect data and balance of our customers," said Rumman Habib, Vice President and Head of Offshore Banking Division, Dhaka Bank. Banks also maintain stringent rules regarding personal data sharing and do not disclose information to anyone except for regulators.

Beyond personal gains, offshore banking plays a crucial role in supporting the economy. "Bringing foreign institutional investment in offshore banking can be crucial for Bangladesh since their

মার্কেটাইল ব্যাংক

অফশোর ব্যাংকিং ডিপোজিট অ্যাকাউন্ট

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- মার্কিন ডলার, ইউরো, গ্রেট ব্রিটেন পাউন্ড, জাপানিজ ইয়েন, কানাডিয়ান ডলার, সুইস ফ্র্যা এবং চাইনিজ ইউয়ান-এ লেনদেন করা যাবে;
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ব্যাংকিং সেবায় অগ্রদূত

Shoring Up Resilience Harnessing Offshore Banking to Strengthen Bangladesh’s Financial Future

FROM PAGE J5

He highlights that asset protection is a major concern for investors. To maximize benefits for the national economy, the banking sector's negative impacts must be addressed. Proper guidance from the central bank and government is essential for making Bangladesh an attractive destination for offshore investment.

If banks can attract a substantial amount of foreign currency through this channel, it will reduce their reliance on higher-rate foreign borrowing, enabling more effective resource management. Ultimately, this will positively impact the national economy.

“Foreign currency inflows positively impact reserves, with stable non-resident deposits expected to remain consistent long-term. Currently, many financial institutions are limiting loan disbursements, whereas banks previously borrowed funds more freely. Increasing foreign currency through offshore banking can help banks

Bank insiders believe that the most promising segment of the NRB community for offshore banking could significantly boost GDP. Currently, there are over one crore NRBs, and foreign exchange is expected to stabilize beyond remittances. If banks can attract a substantial amount of foreign currency through this channel, it will reduce their reliance on higher-rate foreign borrowing, enabling more effective resource management. Ultimately, this will positively impact the national economy.

source funds domestically. When banks borrow from international markets, they incur a country risk premium due to Bangladesh's credit rating. However, by attracting foreign currency deposits through offshore banking, banks can secure funds at a lower cost, offering interest on those deposits instead of paying a premium for foreign borrowing,” said Shaheen Iqbal, DMD & Head of Treasury at BRAC Bank.

He further emphasized that a strong central bank and robust risk management practices are essential. Offshore banking, in particular, requires continuous monitoring to ensure that banks meet their liabilities and maintain financial stability.

BRAC Bank's initial experience with offshore banking has been slow, but it presents a significant opportunity for both depositors and the bank. They have already opened more than a hundred accounts and received numerous inquiries, indicating a growing interest in the service.

Offshore banking appeals to depositors by offering competitive interest rates, often free from taxes or maintenance fees, making it an attractive investment option that simultaneously boosts foreign currency inflows. Additionally, depositors may perceive themselves as strengthening the state's financial position, fostering a mutually beneficial relationship between investors and the country. To fully leverage the advantages of offshore banking, it is essential to brand Bangladesh as a stable economy and ensure stringent oversight of the banking system by the central bank.

MTB has received numerous inquiries about offshore banking, indicating that the new offshore banking provision has gained widespread attention. The bank is laying the groundwork effectively, ensuring that once they begin marketing, there will be no negative repercussions.

“Those banks that have received permission for offshore banking have met specific criteria, equipping them to handle it successfully. As Bangladesh's economy grows, its banks are expanding their correspondent relationships, with new foreign banks entering the market for investment. These are positive developments for offshore banking. Whenever we talk to foreign banks, we emphasize that we've never defaulted on foreign currency transactions, always completing them on time. This builds confidence and encourages their investment,” says Imam Uddin Ahmad, Unit Head, OBU Operation and Assistant Vice President, MTB.

He also emphasizes the need to enhance the country's branding, which is crucial for offshore banking and can help mitigate the current reserve crisis, as significant amounts of foreign currency are required for importers' LC purposes.

So far, Bank Asia has successfully secured funds totaling USD 15 million across approximately 200 accounts.

“We do hope that foreign currency inflow via OBUs will contribute to the long-term foreign reserves; however, that would mostly depend on the kind of investment we would be able to make overseas, as income generated from overseas sources would yield more benefit in building up reserves. While offshore banking provisions have played a vital role in trade financing, particularly for domestic companies, the limitations with collateral and regulatory approvals have kept foreign participation relatively modest,” says Md. Zia Arfin, Senior Executive Vice President & Head of International Division at Bank Asia.

He also adds that while offshore banking inflows can boost foreign reserves when utilized effectively, there is a potential risk of uneven economic outcomes if the funds are not managed or invested prudently.

The readymade garments industry, which accounts for the largest share of our exports, is currently facing challenges due to a dollar shortage. Access to foreign currency through local banks would offer much-needed relief to the sector.

“Offshore banking was an untapped market, but we are now exploring new deposit sources and attracting investments by offering diversified foreign currency deposits. At present, our national economy is grappling with a liquidity crisis, and local interest rates are significantly higher than those in the international market. While foreign currency loans through SOFR are around 9.5%, local rates hover around 14%. With offshore banking, local banks can provide dollar financing to capital-intensive sectors like the readymade garments and power industries, ultimately benefiting both businesses and the national economy,” explains Mahbub Jamil, Head of Offshore Banking at City Bank.

He further notes that certain banks in the Middle East are not cooperating with local banks in opening LCs. Having foreign currency readily available within the country would ease LC financing, enhancing trade and financial stability.

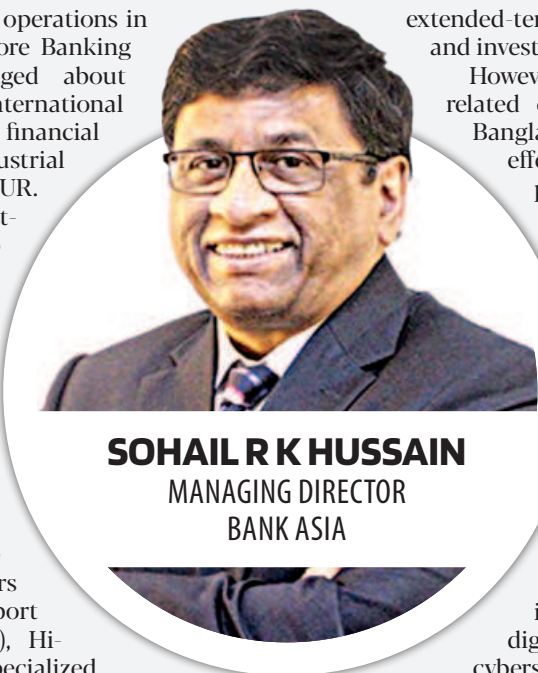


STABLE POLICIES to attract offshore investment

Since launching offshore operations in 2008, Bank Asia's Offshore Banking Unit (OBU) has arranged about USD 3 billion from international banks and development financial institutions to finance industrial transactions in USD and EUR. This has enabled export-oriented businesses to secure low-interest foreign currency loans, minimizing exchange rate risks. Recently, the OBU portfolio reached USD 200 million. By discounting import and export bills for the customers of the Domestic Banking Unit (DBU) and Type A, Type B, and Type C customers operating in Export Processing Zones (EPZs), Hi-Tech Parks (HTPs), and Specialized Economic Zones (SEZs), Bank Asia's OBU has supported enterprises' liquidity needs, reducing reliance on costly LC confirmations and conserving foreign currency.

We offer our customers easy online account opening with minimal documentation, free internet banking for balance checks, tax-free earnings, and the highest returns of up to 7.20% on term deposits, outperforming Europe's negative returns on institutional deposits. All funds are freely transferable and encashable. Bank Asia also has a 24/7 helpdesk to assist with account opening.

OBUs play a crucial role in boosting the country's financial sector by providing access to international capital markets and global funds, reducing reliance on domestic markets for trade financing, and enabling banks to secure foreign currency directly, thereby minimizing dependency on international banks. OBUs also attract overseas investors to industrial zones like EPZs, HTPs, and SEZs, boosting foreign direct investment (FDI). By offering cost-effective trade financing solutions, OBUs lower the cost of imports and enhance business competitiveness. Additionally, OBUs provide longer-term financial products, supporting



SOHAIL R K HUSSAIN
MANAGING DIRECTOR
BANK ASIA

extended-term funding for large projects and investments.

However, there are still trust-related concerns among expatriate Bangladeshis that need to be effectively addressed to popularize offshore banking products. Regulatory uncertainty and frequent changes in policies can deter investment. Limited liquidity and market size may not meet the needs of large institutional investors. Country rating is an important factor in securing more deposits for OBUs.

Additionally, weaknesses in banking infrastructure, including digital capacity and cybersecurity, as well as a lack of good corporate governance standards and robust deposit insurance schemes, can

By offering cost-effective trade financing solutions, OBUs lower the cost of imports and enhance business competitiveness. Additionally, OBUs provide longer-term financial products, supporting extended-term funding for large projects and investments.

undermine trust.

We believe that any government with economic and political stability and the right policies will be able to attract foreign currency funds for offshore banking. Even if governments change, fundamental country policies must remain consistent, and customers need to feel secure that their money is in safe custody.

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Notes:

- Profit rates are tied to SOFR and CSTR rates, but locked in at deposit. Currently, 3 months FD rate in dollars is 6.34%, 1 year is 5.27%, and 4-5 years is 7.02%. Invest or spend in Bangladesh without any prior approval, or transfer your money and profits abroad anytime.
- National Board of Revenue (NBR) SRO no. 100, dated 22 April, 2024.
- Priority Pass benefits apply to IB Account holders.
- Open to both Bangladeshi and foreign individuals and company entities.
- Bangladeshi individuals and entities residing abroad or in Bangladesh can open and operate IB accounts.

FCB/ET/09/2024

COLLABORATIVE APPROACH key to restoring confidence

Shahjalal Islami Bank (SJIB) has been providing exceptional customer service in offshore banking since 2008. Our Offshore Banking Unit (OBU) has maintained sustainable positive growth since 2011, fostering trust among our customers. Many individuals are showing interest in our offshore banking accounts.

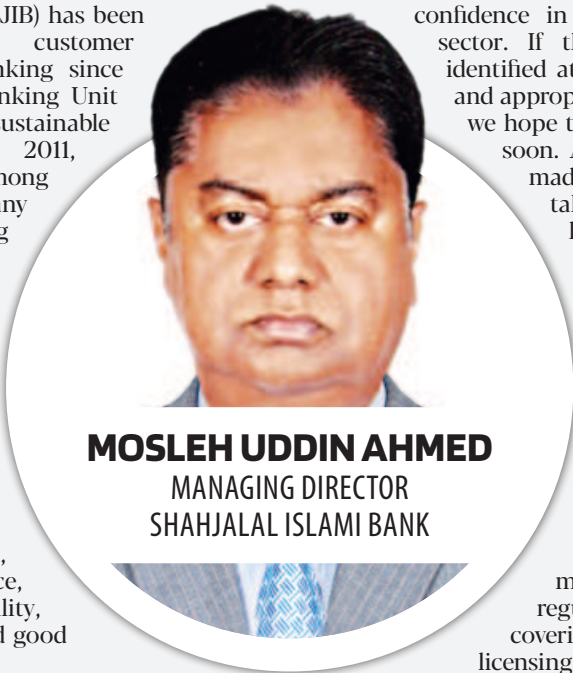
We are receiving a good response from expatriates, who are beginning to trust Shahjalal Islami Bank in the same way that local customers do. Investors are attracted to SJIB due to our financial strength, excellent customer service, transparency, accountability, administrative skills, and good governance.

Our OBU offers current, savings, and term deposit accounts under Islamic Shariah for non-resident Bangladeshis (NRBs), foreign individuals not residing in Bangladesh, and companies registered and operating outside Bangladesh. Non-resident individuals or institutions investing in Bangladesh can also open offshore accounts in the names of their designated residents under the International Bank (IB) account.

We do not face liquidity crises in either local or foreign currency. Expatriates may return their funds in foreign currency (FCY) or encash them in Bangladeshi Taka (BDT) at any time. We offer attractive provisional rates of return, which are completely tax-free. No charges, including excise duty, will apply to our OBU deposit accounts.

The recently finalized law on the offshore banking system in Bangladesh is expected to further encourage foreign investment by increasing the country's foreign exchange inflows and alleviating the reserve and letter of credit (LC) opening crises. This law was necessary as the offshore banking system plays a positive role in aligning with the international financial system.

Overall, it can be said that there is a crisis of



MOSLEH UDDIN AHMED
MANAGING DIRECTOR
SHAHJALAL ISLAMI BANK

confidence in the country's banking sector. If the main problems are identified at the policy-making level and appropriate measures are taken, we hope this crisis will be resolved soon. Arrangements should be made to recover irregularly taken investments and loans, with strict enforcement of banking laws providing significant benefits in this regard. We believe that a joint initiative from all stakeholders will help overcome the crisis of confidence among expatriates in the country's banking sector.

Bangladesh Bank must establish a robust regulatory framework covering areas such as licensing, supervision, reporting requirements, and risk management. Necessary financial infrastructure should be developed to ensure that offshore banking operates effectively.

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requirements, and risk management. Necessary financial infrastructure should be developed to ensure that offshore banking operates effectively.

The central bank can facilitate business dialogues and campaigns with expatriates to promote offshore banking. Effective engagement with all Bangladeshi embassies will also enhance offshore banking operations.

ENSURE TRANSPARENCY within banking sector

The experience since launching our offshore banking unit has been positive and rewarding in terms of client acquisition and financial growth. By prioritizing compliance and operational efficiency, we have established our bank as a trusted provider of wealth management and cross-border financial services. While the ever-changing global economic environment, fluctuating exchange rates, and new regulatory changes in offshore banking jurisdictions present occasional challenges. However, we have effectively mitigated risks through timely and appropriate measures.

We offer a wide range of unique features to attract investors. Clients can open fixed deposit accounts in USD with attractive rates and flexible terms ranging from three months to five years. The deposit amount is freely convertible and transferable both locally and internationally.

For investors depositing \$50,000 or more, we provide exclusive benefits, including personalized meet-and-greet services at Hazrat Shahjalal International Airport in Dhaka and access to international lounges through Priority Pass or Lounge Key facilities, ensuring a premium travel experience abroad.

Export-oriented manufacturing companies can secure loans in foreign currency at lower interest rates than those offered in Bangladeshi Taka accounts. This enables them to reduce borrowing and production costs, enhance cash flow management, and support growth and competitiveness in the global market. Additionally, the increased flow of foreign currency facilitates both export and import growth, encourages industrialization, and generates significant employment.

However, expatriate Bangladeshis often face trust issues with the new offshore banking products,

primarily due to frequent policy changes, political instability, corruption, and rising non-performing loans (NPLs).

These factors raise concerns about the overall financial health of the industry and complicate expatriates' ability to plan their investments with confidence. Furthermore, a lack of education and awareness about offshore banking services leaves many potential customers uninformed.

To address these concerns, relaxing account-opening restrictions for NRBs, eliminating corruption, and building brand credibility through targeted marketing can significantly improve trust and accessibility.



AHSAN ZAMAN CHOWDHURY
MANAGING DIRECTOR
TRUST BANK

Expatriate Bangladeshis often face trust issues with the new offshore banking products, primarily due to frequent policy changes, political instability, corruption, and rising non-performing loans (NPLs).

To ensure the long-term success of offshore banking, the central bank should encourage digital banking, making services more accessible to both local and international clients. Establishing a strong regulatory framework and increasing transparency within the banking sector will ensure that all financial institutions involved in offshore banking operate within clear, enforceable guidelines, ultimately helping to combat corruption and build trust.

PROGRESS ACHIEVED OVER FOUR DECADES

To create financing opportunities at the Export Processing Zones (EPZs), Offshore banking started in Bangladesh, through a Bangladesh Bank circular issued on November 12.

1985

Bangladesh Bank imposed a comprehensive policy on Offshore Banking Operations (OBU) on February 25, including restrictions on export financing and others.

In May, a revised circular allowed local companies to access foreign currency loans with Bangladesh Bank approval, exporters to obtain short-term financing against shipments, and joint venture companies in EPZs/EZs/hi-tech parks to secure short-term loans without prior approval.

2019

OB operations expanded, allowing non-resident Bangladeshis, persons of Bangladeshi origin, foreign nationals, overseas companies, and foreign institutional investors to open and maintain FC accounts in approved currencies with OBOs.

OBOs are authorized to establish and manage International Banking (IB) accounts for resident Bangladeshi individuals and corporate entities with credible non-resident connections.

2023

The government enacted the 'Offshore Banking Act, 2024,' which was passed in the National Parliament on March 5.

2024



এক্সপোর্ট ইমপোর্ট ব্যাংক
অব বাংলাদেশ পিএলসি.



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REWARDING SAVING

solutions for depositors

Offshore banking is a time-honored mechanism employed by Bangladesh Bank to attract foreign currency and recycle it into the economy in the form of investments. It facilitates a country's exports and imports and plays a key role in the overall development of the financial sector. During the ongoing foreign currency crisis, offshore banking can significantly contribute to building up forex reserves. We have successful examples nearby, such as Mauritius, which has ensured substantial foreign currency inflows through offshore banking operations.

It has been ten years since we started our offshore banking unit. Initially, we had to rely heavily on Export Processing Zone (EPZ) or A-category clients for foreign currency deposits, which limited our scope. As a result, borrowings became the mainstay of our offshore banking operations. However, recent central bank policies regarding offshore banking have opened up a broader market for a larger pool of foreign currency deposits. Now, any non-resident Bangladeshi can open foreign currency fixed-term deposit accounts with any Bangladeshi offshore banking unit, with the option to repatriate the principal amount along with the interest/profit back to their country of residence. Furthermore, the interest/profit earned is tax free. This policy is highly encouraging for attracting foreign currency deposits to the country.

Currently, commercial banks with offshore banking units are actively marketing their deposit products. At the same time, the country is undergoing a correction and reconstruction in the banking sector, particularly concerning its substantial classified loans, asset flight, and monopolization in the banking business. However, once the offshore fixed deposit products are successfully marketed alongside proper



MOHAMMAD FEROS HOSSAIN
MANAGING DIRECTOR AND CEO
EXIM BANK

implementation of policy initiatives, we are optimistic that non-resident Bangladeshis (NRBs) will recognize these savings options as beneficial for both themselves and their homeland.

To fully utilize the potential of offshore banking, EXIM Bank is encouraging the Bangladeshi community in the UK and Hong Kong to open foreign currency deposit accounts with our bank through our exchange houses and finance companies in those regions. Additionally, we are developing an online portal for opening and operating foreign currency accounts from abroad. Within the country, we are deploying

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our regular marketing strategies to attract foreign currency deposits to our offshore banking units. We are experiencing an increasing response from companies with corporate deposit volumes, as well as from individuals with retail deposits. Several large companies have also committed to opening accounts with us. We are hopeful that our bank can thrive on foreign currency deposits in no time.

TARGETED CAMPAIGNS

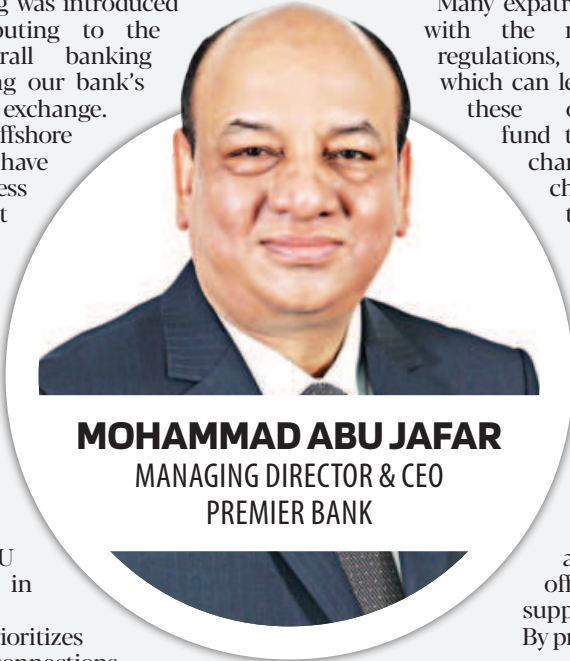
required to inform expatriates

In 1985, offshore banking was introduced in Bangladesh, contributing to the enhancement of overall banking functions and broadening our bank's exposure to foreign exchange. Premier Bank's offshore banking operations have made significant progress since the establishment of its initial Offshore Banking Unit (OBU) at DEPZ, Savar, and the commencement of offshore business activities in 2009. Subsequently, the OBU was relocated to Banani on June 26, 2011. In response to the growing offshore business, the bank established another OBU at the Gulshan Branch in 2024.

Our bank prioritizes developing enduring connections with our customers by catering to their varied requirements and preferences. We promote capital investment, employment generation, and rapid industrialization through our investments in EPZ clients, as well as by providing services to our domestic clients within the scope of OBU policy. We offer attractive interest rates on deposit accounts and have introduced digital banking options for both individual and corporate customers.

Offshore banking services have the potential to greatly improve Bangladesh's financial sector. OBUs can streamline international trade by providing services such as letters of credit, guarantees, and bill discounting, making it easier for local businesses to participate in global commerce, thereby reducing transaction costs and simplifying financial operations.

The Offshore Banking Act 2024 allows non-resident Bangladeshis (NRBs) and foreign entities to open offshore bank accounts and utilize the deposits for domestic investments and financial requirements, potentially attracting and boosting foreign investment. This could lead to the development of a stronger and more competitive financial landscape in Bangladesh, fostering economic expansion and safeguarding stability in the foreign currency balance.



MOHAMMAD ABU JAFAR
MANAGING DIRECTOR & CEO
PREMIER BANK

Many expatriates may not be familiar with the new offshore banking regulations, products, and services, which can lead to hesitation in using these offerings. Additionally, fund transfers through official channels pose significant challenges. To address this, banks can conduct targeted campaigns to educate expatriates about the benefits and features of offshore banking services. Webinars, informational brochures, and dedicated helplines can help build familiarity and trust. We have also established a dedicated helpdesk offering 24/7 customer support for offshore banking. By proactively addressing these

Banks can conduct targeted campaigns to educate expatriates about the benefits and features of offshore banking services. Webinars, informational brochures, and dedicated helplines can help build familiarity and trust.

challenges, banks can build a strong foundation of trust with expatriate Bangladeshis, encouraging them to take advantage of offshore banking services. Ensuring that the offshore banking sector is well-regulated and that these regulations are communicated effectively to expatriates can enhance confidence in the measures our central bank is implementing. Highlighting the role of regulatory bodies in protecting customer interests can also contribute to this trust.

Enjoy the Banking beyond boundaries

Offshore Banking with NRB Bank

Any Resident & Non-Resident Bangladeshi, foreign nationals and corporate entities can open NRB OBU current account and Fixed Deposit

- Attractive interest rate on OBU Term Deposit
- Account can be opened in USD/GDP/EURO or any other approved Foreign Currencies
- Deposited foreign currency with Interest is freely remittable abroad through Banking channel
- Balance held in the deposit account is freely convertible to Taka
- Earnings from the deposit will get Tax exemption.

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হাসিমুখে আপনাদের আগে দেশের সমৃদ্ধি

সর্বোচ্চ রেট ৮.৩৮*

বিশ্বের যেকোনো প্রান্ত থেকে বাংলাদেশের নাগরিকদের জন্য এখন খুব সহজে অনলাইনে MTB OBU (অফশোর ব্যাংকিং)-এ ডিপোজিট একাউন্ট খোলার সুযোগ।

যেসব মন্ডায় খোলা যাবে : মার্কিন ডলার, ইউরো।

কিন্ডাবে একাউন্ট খুলবেন :

- অনলাইন : <https://obu.mutualtrustbank.com>
- অফলাইন : mtbobu@mutualtrustbank.com

একাউন্ট এর বৈশিষ্ট্য :

- ব্যাংকিং চ্যানেলে ইনওয়াড রেমিটেন্সের মাধ্যমে এই একাউন্টে বৈদেশিক মুদ্রা আনা যাবে।
- বিভিন্ন মেয়াদে-সর্বনিম্ন ৩ মাস থেকে সর্বোচ্চ ৫ বছর মেয়াদে আমানত রাখা যাবে।
- চলতি ও সঞ্চয়ী হিসাবও খোলা যাবে।

একাউন্ট খোলার সুবিধা :

- OBU অ্যাকাউন্টে জমাফুক্ত বৈদেশিক মুদ্রা রপ্তানার ব্যাংকিং চ্যানেলে স্থানান্তরযোগ্য এবং টাকায় নগদযোগ্য।
- আমানত এবং অর্জিত মুনাফা সম্পূর্ণ করমুক্ত।
- অ্যাকাউন্টে থাকা সম্পূর্ণ অর্থ বিদেশে স্থানান্তরযোগ্য।
- মেয়াদি আমানতের উপর আকর্ষণীয় মুনাফার হার, যা মেয়াদভেদে বেসমার্ক রেফারেন্স রেট + “১.২৫% থেকে ৩.২৫%” পর্যন্ত হবে।

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EMPOWERING KEY associates via training

Following the introduction of the Offshore Banking Act, we are delighted to have received an overwhelmingly positive response. Both individuals and corporate entities have shown great interest, inquiring about the unique benefits of offshore banking deposit accounts. In light of this promising initial response, we have proactively taken steps to enhance our internal capacity. These measures include offering online account opening facilities with global accessibility and providing comprehensive information on fund remittance for prospective deposit accounts. Additionally, we are training our relevant colleagues to ensure they are well-equipped to effectively market our offshore banking deposit products.

MTB boasts one of the best boards in the country, with Norfund, a development finance institution, holding the largest share at 9.528%. MTB is not only recognized for its strong corporate governance but also for its robust balance sheet and solid operational and profitability ratios, underscoring its status as a sound financial institution. Among the bank's many strengths are its affiliations with over 500 correspondent banks globally, advanced digital capabilities, and a well-recognized focus on environmental, social, and governance (ESG) principles.

Previously, we conducted our international trade activities through correspondent banking partners who would confirm our credit and offer discounting facilities to our customers. While this arrangement was beneficial, the cost of obtaining these services was high, and there were no alternatives at the time. However, as our offshore banking balance sheet expanded, we became capable of managing many of these activities independently, reducing our reliance on correspondent banks. This allowed us to



SYED MAHBUBUR RAHMAN
MANAGING DIRECTOR & CEO
MTB

retain more revenue within the country. As a result, foreign correspondent banks were compelled to lower their fees, and we were able to process a higher volume of transactions, leading to increased trade activity.

Our primary target is non-resident Bangladeshis, our strongest demographic, who are familiar with the country's situation and have full trust in the interim government. We are confident in our ability to persuade them to deposit their funds in our offshore bank accounts. Our focus is on developing strategies to encourage them to keep their savings in these accounts, where

We are confident in our ability to persuade them to deposit their funds in our offshore bank accounts. Our focus is on developing strategies to encourage them to keep their savings in these accounts, where they can benefit from higher returns.

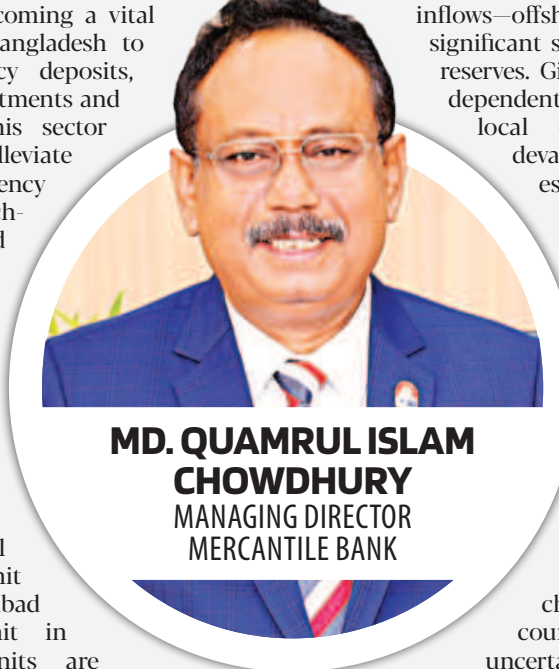
they can benefit from higher returns.

Additionally, we recognize that family members from specific local areas often reside not only in particular countries but also in specific locations within those countries. Therefore, we will initiate a domestic campaign to promote offshore banking deposit products while simultaneously targeting specific locations abroad with the same message.

MEETING the diverse needs of customers

Offshore banking is becoming a vital avenue for banks in Bangladesh to attract foreign currency deposits, thereby facilitating investments and international trade. This sector has the potential to alleviate the current foreign currency crisis by providing much-needed liquidity and helping stabilize currency management. In Bangladesh, offshore banking operations began in 1985, with Mercantile Bank launching its Offshore Banking Units on July 4, 2010. The bank operates two units: the Principal Offshore Banking Unit in Dhaka and the Agrabad Offshore Banking Unit in Chattogram. Both units are overseen by the Offshore Banking Division at the Head Office, in accordance with guidelines from Bangladesh Bank. Currently, the bank's Offshore Banking Division holds assets of approximately USD 77 million, supporting 450 accounts. Funding comes from reputable financial institutions, large international banks, and the bank's own resources.

The bank offers a range of deposit products structured to meet the diverse needs of its offshore banking customers. The Savings Account is designed for individuals who wish to earn interest on their deposits while maintaining easy access to their funds. Our Current Account is ideal for businesses and individuals requiring frequent transactions, with no withdrawal limits. Additionally, the Fixed Deposit Receipt Account (OB FDR Account) targets customers looking to invest their funds for a fixed term at competitive interest rates. We have also recently introduced International Banking (IB) Accounts, tailored for clients with international transactions and foreign currency management requirements. With a focus on strengthening the supply of foreign currencies—especially crucial as outflows exceed



MD. QUAMRUL ISLAM
CHOWDHURY
MANAGING DIRECTOR
MERCANTILE BANK

inflows—offshore banking could be a significant source of foreign currency reserves. Given Bangladesh's import-dependent economy, where the local currency continues to devalue, offshore deposits are essential. By encouraging offshore services, the banking sector has the potential to attract \$50 to \$100 billion from the large number of Bangladeshis working and conducting business globally.

To make this opportunity flourish, building trust among potential customers is crucial. Addressing challenges such as the country's credit rating, an uncertain political landscape,

With a focus on strengthening the supply of foreign currencies—especially crucial as outflows exceed inflows—offshore banking could be a significant source of foreign currency reserves.

financial scams, and corporate governance issues is key to fostering confidence in offshore banking services and ensuring their successful growth in Bangladesh. A comprehensive master plan is in place to promote our offshore products and target potential customers in major remittance-sending countries in Europe, America, and the Middle East. These strategies aim to strengthen our presence in the offshore banking sector, attract offshore deposits, and facilitate investments and international trade.

ESCALATING OPPORTUNITIES FOR EXPATRIATES

The Bangladeshi government's overseas welfare scheme has designed various investment opportunities and products for them, making them potential clients for offshore banking as well.

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also involved in maritime activities, earning between \$5,000 and \$10,000. Some of them do not hold foreign passports and primarily reside in Bangladesh. The Bangladeshi government's overseas welfare scheme has designed various investment opportunities and products for them, making them potential clients for offshore banking as well. The type of expatriates City Bank is targeting for offshore banking products is further illustrated by Mahbub Jamil's comments on an ideal white-collar customer: "One of our big depositors is a sea captain who primarily worked in Oman and Bahrain and is now employed as a shipping official."

Other banks, such as BRAC, EBL, and MTB, are mainly targeting white-collar job holders by offering various benefits, including tax exemptions, high returns, and other investment opportunities. BRAC Bank's outreach product, "Bondhon," exemplifies this approach, as noted by a BRAC Bank official.

Incentives and Product Promotion for Popularizing Offshore Banking

Although offshore banking has been in operation since 1985, recent amendments have significantly elevated its importance under the Offshore Banking Act of 2024. Many scheduled banks are now actively working to attract foreign currency inflows, following instructions from the central bank. To popularize offshore banking, various outreach programs and marketing strategies are being employed. Key strategies include targeted

marketing aimed at white-collar job holders, offering digital banking services, providing investment advisory services, special benefits on home loans, assistance in wealth management, corporate governance initiatives, and meet-and-greet programs for potential clients.

When inquired about Bank Asia's initiatives to popularize offshore banking services and enhance balance sheet size, the bank's Senior Executive Vice President and Head of the International Division, Md Zia Arfin, mentioned the following: offering various products and services, dedicated customer service, collaboration with the government, competitive pricing for both deposits and advances, an easy and quick account opening procedure, digital banking services, marketing and promotional campaigns, collaborations with international financial institutions, consultancy and investment advisory services, participation in global forums and events, and collaboration with export-oriented industries.

Almost all leading scheduled banks are likely to promote offshore banking products by incentivizing remittance earners. In this regard, Bank Asia outlines its incentives:

"Banks in Bangladesh use several strategies to promote offshore banking products to incentivize remittance earners, particularly Non-Resident Bangladeshis (NRBs), to encourage the inflow of remittances and enhance their financial engagement. These initiatives focus on building awareness among expatriate communities abroad, offering tailored products, attractive interest rates, and simplified services."



Anchoring financial growth

FROM PAGE J12

12 million dollars by the end of last year,” said Mahbub Jamil, Head of Offshore Banking at City Bank.

OBUs can provide short-term loans, open letters of credit, issue guarantees, offer bill discounting, bill negotiation, and other foreign trade-related outsourcing services. An estimate from the central bank states that the lending amount is around BDT 83,826 crore, which exceeds the total funds available. According to regulations, OBUs are allowed to transfer 30% of their total funds from Domestic Banking Units (DBUs), explaining why the lending amount surpasses the total offshore banking fund.

“The demand for funds in offshore banking is high, and we need more funds. There is potential to increase the funds through the people residing in other countries. To do so, ensuring investment

along with other required documents. NRB account holders send money to these accounts, which are managed by an assigned relative in Bangladesh.

While explaining the process of opening corporate accounts in OBUs and individual accounts in OBUs, Mahbub Jamil, of City Bank said, “The process is quite similar; however, the eligibility criteria and certain document requirements differ. To open an offshore corporate account from an EPZ, the entity must fall into one of three categories: Type A (wholly foreign-owned EPZ enterprises), Type B (partially foreign-owned), or Type C (locally owned).”

He further mentions that, on the other hand, an IB account, which can be opened for both individuals and corporations, allows anyone to open an account on behalf of their foreign acquaintance.

Since a Bangladeshi relative can open the account on behalf of someone living abroad, relevant paperwork must be submitted. Information about the person managing the account in Bangladesh is also required.

Clarifying who qualifies as a close relative, Mamunur Rashid, of EBL, said, “The individuals managing accounts on behalf of expats do not necessarily have to be immediate family members, such as parents, spouses, or siblings. The expats may choose any friend or acquaintance they

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security and stabilizing the economy is a must,” said Rumman Habib, Vice President and Head of Offshore Banking Division at Dhaka Bank.

Dr. Md. Main Uddin further noted that offshore banking generally focuses on current savings, term deposits, and lending. “Loans must be provided following thorough assessments in line with international standards. The assessment must include creditworthiness, documentation, and feasibility,” he added.

For resident Bangladeshis, OBUs can provide deferred export bill discounting on imports, as well as direct and indirect exports. With Bangladesh Bank’s approval, they can also provide medium- and long-term loans to local industrial enterprises.

Banks are working in collaboration with overseas communities, focusing on informing and attracting NRBs to invest in offshore banking in Bangladesh. On this note, Md. Mamunur Rashid, Head of International Business at EBL, said “As banks alone are unable to motivate NRBs in this regard, a multilateral approach is crucial to promote OB among NRBs.”

PROCESS TO OPEN AN OFFSHORE ACCOUNT

Amid the dollar shortage, Bangladesh Bank introduced the option to open offshore banking accounts at the end of last year. Banks have already implemented special measures to facilitate the opening of these accounts. Private sector banks, including The City Bank, BRAC Bank, Dutch-Bangla Bank, Pubali Bank, Eastern Bank, and Islami Bank, are actively promoting offshore banking accounts. Consequently, the number of such accounts opened by expatriates is increasing daily.

“Expats are very enthusiastic about their accounts, mostly due to the nature of these accounts and their benefits. Expats working in most countries do not earn much interest on their savings,” said Md. Zia Arfin, Senior Executive Vice President & Head of the International Division at Bank Asia.

Following directives from the central bank, the banks are offering two types of accounts for expatriates. One is the International Account (IB), which can be opened by relatives on behalf of NRBs. In such cases, the applicant’s proof of employment must include a job ID card,

deem suitable for the role.”

The second type of account is an Offshore Banking Fixed Deposit Account. Any NRB or foreigner can open an account via the bank’s website. A photo of the applicant, passport, and job ID card are required to open these accounts. After opening the account, the holder can keep money in foreign currencies for different term periods.

Regarding paperwork, Rumman Habib of Dhaka Bank, said, “We must follow the guidelines regarding paperwork. Although we are using e-KYC, certain paperwork is still mandatory for opening such accounts. If the documents are submitted correctly, the verification process will not take longer than necessary.”

Ensuring data security is paramount in offshore banking, and banks are addressing the issue with the utmost importance by taking the required measures. “To maintain client security, we use the latest technologies. We follow two-step authentication for any transaction and all our systems are security verified,” said Shaheen Iqbal of BRAC Bank.

“However, we are training our professionals to guide expats in understanding the process of account opening or addressing concerns about security,” mentioned Imam Uddin Ahmad, Unit Head, MTB OBU Operation and Assistant Vice President.

ENDORSE STRATEGIES to mitigate market risks

Since 2004, Offshore Banking has been central to Commercial Bank of Ceylon (CBC) in Bangladesh, following its acquisition of Credit Agricole Indosuez Bank. As a foreign bank with over 100 years of legacy, CBC has consistently maintained a robust FCY deposit base, contributing around 25% to the bank’s balance sheet. This strong FCY deposit foundation has enabled us to establish a diverse range of cross-border credit limits, ensuring liquidity and supporting international trade financing for our clients. Through prudent management, the Offshore Banking Unit (OBU) has played a pivotal role in CBC’s operations, allowing us to meet the evolving needs of our customers while capitalizing on global opportunities.



NAJITH MEEWANAGE
CEO
COMMERCIAL BANK OF CEYLON
BANGLADESH

investment options, and low financial literacy. To address these concerns, simplifying regulatory guidelines, introducing diverse short-term products, and improving financial literacy programs are essential. Enhancing the country’s credit ratings and political stability, along with clear communication and improved digital access, will boost investor confidence and engagement in the financial sector.

For offshore banking to thrive, we seek a flexible regulatory framework from the central bank that encourages investor participation while ensuring effective supervision. Additionally, Bangladesh Bank should promote hedging

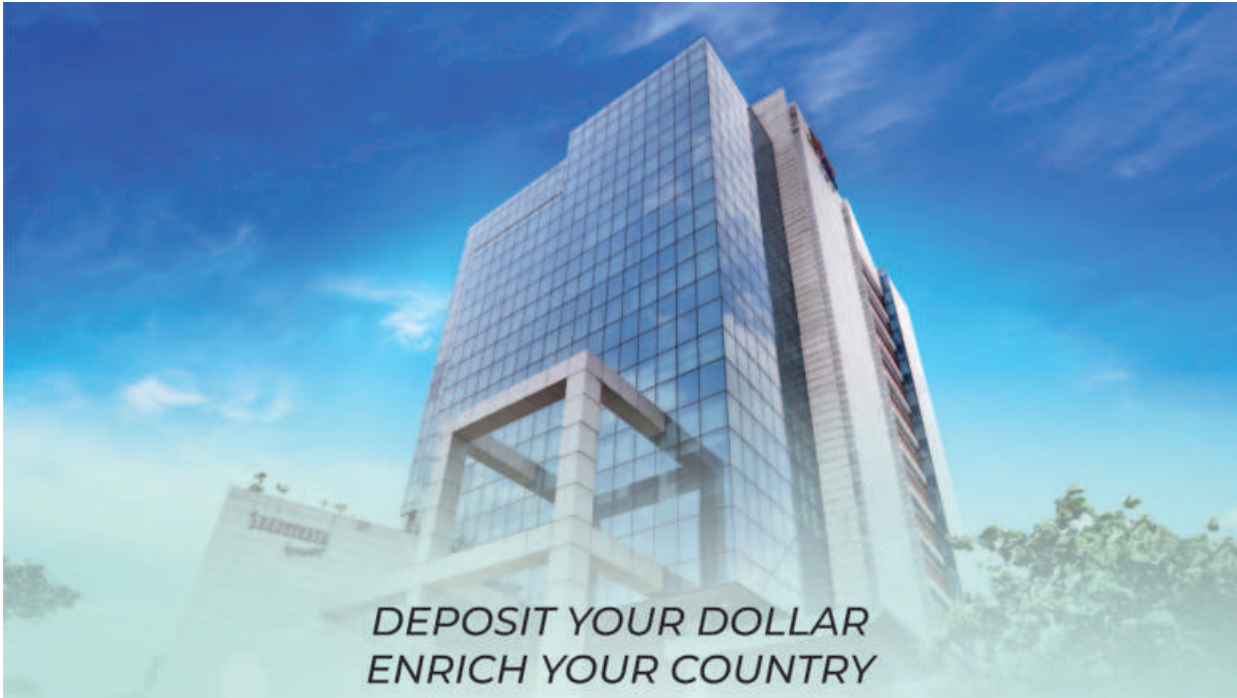
Enhancing the country’s credit ratings and political stability, along with clear communication and improved digital access, will boost investor confidence and engagement in the financial sector.

CBC Bangladesh offers unique features to attract offshore investors. Our diverse products include foreign currency accounts, fixed deposits, and tailored investment options with competitive interest rates. We provide a wide range of Letters of Credit (LCs) for import and export clients, along with export bill discounting, export bill purchases, and import-funded facilities for up to 360 days, extendable by another 180 days. Our dedicated OBU team, relationship managers, and global investment opportunities ensure optimal returns and personalized service for medium and large clients. CBC serves OBU clients through a 24/7 call center, providing precise assistance whenever needed.

Currently, forty Bangladeshi banks offer OBU facilities, with recent changes allowing residents to open accounts. Well-rated and widely accepted foreign banks like CBC play a crucial role in enhancing foreign currency reserves, fostering a dynamic market, improving trade finance, and strengthening foreign exchange management.

Expatriate Bangladeshis often face trust issues with offshore banking due to political instability, complex regulations, low credit ratings, limited

instruments to protect against liquidity and interest rate risks, ensuring stability in a volatile market. The market should also be diversified with a broader range of OBU products tailored to meet various investor needs, including innovative financial solutions. Bangladesh Bank should prioritize long-term facilities in future circulars to enhance offshore banking’s role in the financial sector’s growth and ensure economic stability.



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Anchoring financial growth

SAUDIA AFRIN

Offshore banking is considered a timely measure to support Bangladesh's economy by addressing the ongoing dollar crisis, which is affecting numerous trade and industrial activities. In addition to export earnings and remittances, this banking segment has already contributed to the dollar supply. Increasing deposits from foreign sources and boosting investments through offshore banking holds significant potential to help stabilize the economy.

In the context of Bangladesh, offshore banking denotes banking activities conducted in foreign currencies obtained by Bangladesh Bank approved sources. These banking activities are conducted with NRBs, foreigners, as applicable, and resident individuals or entities operating in approved specialized zones including EPZs, PEPZ, EZs, and hi-tech parks.

THE JOURNEY OVER FOUR DECADES Offshore Banking Operations (OBO) was introduced in Bangladesh through a Bangladesh Bank circular in 1985, aiming to open financial opportunities in Export Processing Zones (EPZs). According to a BB circular issued on November 12, 1985, OBUs were permitted to accept deposits and borrow from overseas entities, including non-resident Bangladeshis (NRBs).

To bring offshore banking under a comprehensive regulatory framework, the Bangladesh Bank issued a strong policy on February 25, 2019, which imposed restrictions on export financing and other aspects of Offshore Banking Operations. A revised circular was issued in May of the same year, amending some of the clauses. Key amendments included allowing local companies to avail foreign currency loans, subject to Bangladesh Bank approval, and allowing exporters to access short-term financing against shipments (commonly known as export bill discounting). Joint venture companies in export processing zones, economic zones, and hi-tech parks were permitted to access short-term loans without prior approval from Bangladesh Bank. The revised policy also allowed OBUs to borrow or lend to other OBUs in Bangladesh, exempting them from maintaining separate nostro accounts.

Although many commercial banks in Bangladesh have been operating offshore banking on a limited scale with special permission from the Bangladesh Bank, there was no specific law in place until the 'Offshore Banking Act, 2024', passed by the National Parliament on March 5. Under the act, only scheduled banks are eligible to provide offshore banking services. An offshore banking unit (OBU) requires a central bank license

to operate. Moreover, no income tax or direct or indirect charges will be imposed on the interest or profit earned by OBUs, and no fees will be applied to depositors' or foreign lenders' accounts.

HOW OFFSHORE BANKING UNITS WORK The 'Offshore Banking Act 2024' has opened a new horizon of opportunities in offshore banking, creating a separate banking facility within the existing system. Thus, the operations, acts, rules, and regulations differ from those of conventional banking.

"As a preventive measure to tackle the ongoing foreign currency crisis, the central bank is encouraging banks to operate offshore banking to stabilize the dollar market and overcome the foreign currency reserve crisis," said Dr. Md. Main Uddin, a

options were available earlier. However, to boost the interflow of foreign currency, a new service—the International Bank Account—has been introduced. Offshore Banking Units (OBUs) can accept deposits from 100% foreign-owned companies located in Export Processing Zones (EPZs), economic zones, and hi-tech parks.

"There were no prior restrictions on receiving deposits; however, with the new act, the benefits of holding an offshore account have been more clearly defined, particularly for NRBs. The primary sources of funding for offshore banking include short-term loans from foreign banks, long-term loans from multilateral development organizations, and even lending from other banks' OBUs," said Shaheen Iqbal, DMD & Head of Treasury, BRAC Bank.

As a preventive measure to tackle the ongoing foreign currency crisis, the central bank is encouraging banks to operate offshore banking to stabilize the dollar market and overcome the foreign currency reserve crisis.



professor in the Banking and Insurance Department at the University of Dhaka.

Until now, the largest source of funds for offshore banking was lending from foreign organizations, including financial institutions and development organizations. Last year, the Bangladesh Bank expanded the scope of fund collection, allowing depositors to keep money in nine currencies: the US Dollar, Great British Pound, Euro, Swiss Franc, Australian Dollar, Singapore Dollar, Canadian Dollar, Yen, and Yuan, with interest rates of up to 8.5%, depending on the term.

A few offshore banking account

Among the BDT 80,000 crore of funds in offshore banking, a major portion comes from foreign investment companies. Companies in the export processing zones hold the next largest share, while individual accounts contribute a smaller portion to the total fund.

"In offshore banking, we receive investments from DFIs, including IFC, Norfund, and British International Investment, primarily in the form of lending. Most EPZ entities hold deposits in our bank through corporate accounts, which amounted to the equivalent of

SEE PAGE J11

স্ট্যান্ডার্ড ব্যাংক অফশোর ব্যাংকিং অ্যাকাউন্টে বৈদেশিক মুদ্রা সঞ্চয় করুন আকর্ষণীয় মুনাফায়

প্রয়োজন অনুযায়ী বেছে নিন আপনার অফশোর ব্যাংকিং অ্যাকাউন্টটি:

- ফরেইন কারেন্সি (এফসি) অ্যাকাউন্ট
- ইন্টারন্যাশনাল ব্যাংকিং (আইবি) অ্যাকাউন্ট

হিসাবের সুবিধা সমূহ:

যে কোনো বিদেশি নাগরিক বা প্রতিষ্ঠান, অনিবাসী বাংলাদেশি ব্যক্তি বা প্রতিষ্ঠান এবং বৈদেশিক সম্পর্কের ভিত্তিতে নিবাসী বাংলাদেশি ব্যক্তি বা প্রতিষ্ঠান ইউ এস ডলারসহ অনুমোদিত যে কোনো বৈদেশিক মুদ্রায় সঞ্চয়ী এবং মেয়াদি আমানত হিসাব খুলতে পারবেন।

মেয়াদি হিসাবের মেয়াদ: ৩ মাস/৬ মাস/১ বছর/২ বছর/৩ বছর/৪ বছর/৫ বছর।

বৈধ যে কোনো মাধ্যম ব্যবহার করে খুব সহজে বিদেশ থেকে এ হিসাবে বৈদেশিক মুদ্রা জমা করতে পারবেন।

মেয়াদি আমানতের উপর আকর্ষণীয় মুনাফা প্রদান করা হবে যা সকল প্রকার ডাউট, ট্যাক্স এবং সার্চার্জ মুক্ত।

অফশোর ব্যাংকিং হিসাব সমূহের অর্থ মুনাফাসহ যে কোনো প্রয়োজনে বৈদেশিক অথবা দেশীয় ব্যাংক হিসাবে স্থানান্তর করা যাবে।

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