

# 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.

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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

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### স্ট্যান্ডার্ড ব্যাংক অফশোর ব্যাংকিং অ্যাকাউন্টে বৈদেশিক মুদ্রা সঞ্চয় করুন আকর্ষণীয় মুনাফায়

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**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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