External Sector

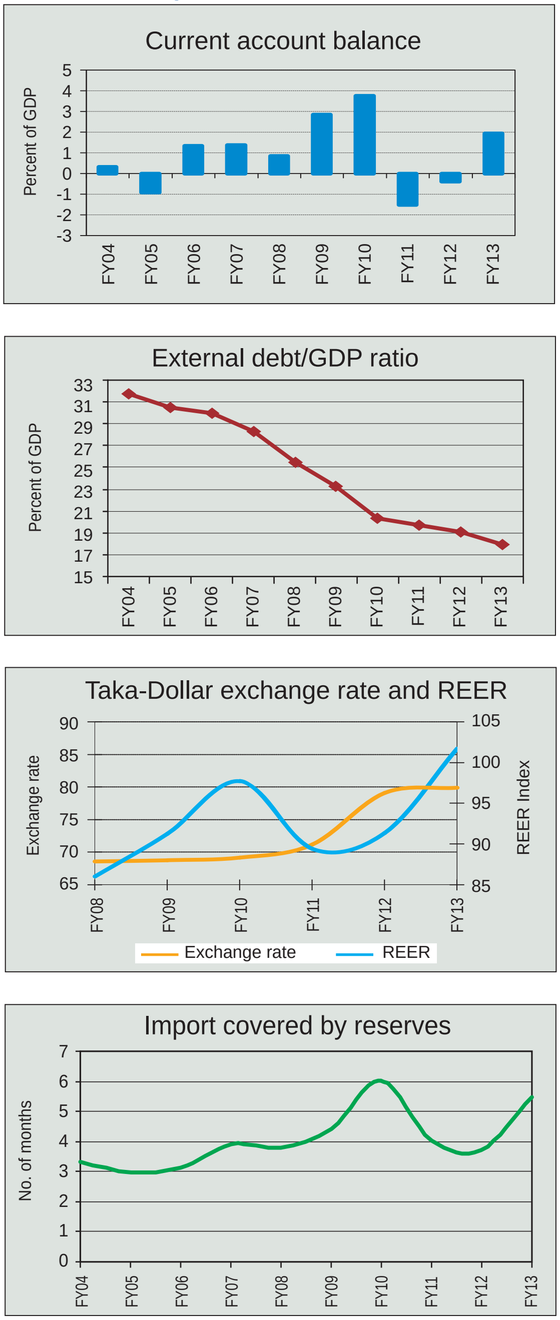
External Trade and the Balance of Payments - the Overall Situation

10.1 In the external sector, the Current Account Balance (CAB) continued to be in surplus reflecting the increasing inflows of remittances bolstered by continued export expansion and declining imports. Import growth was sluggish in FY13, partly reflecting the significant fall in food import demand, lower petroleum imports as well as slower demand for imports related to manufacturing output.

10.2 Remittances were buoyed by larger numbers of Bangladeshi workers moving abroad in FY12 as well as real wage growth in the Middle East following the 'Arab Spring' events. Remittance growth of 12.6 percent in FY13 is higher than the 10.2 percent growth in FY12, though this growth did slow to 4.2 percent during the second half of the year compared to the first half of FY13 when remittance growth was 22 percent. This slow-down is a function of a 34 percent drop in the number of migrant workers between July-April FY13 relative to the same period in FY12.

The capital account shows that foreign direct investment is projected to have increased from USD 1.2 billion in FY12 to USD 1.3 billion in FY13. Medium and long term loan disbursements rose from USD 1.5 billion in FY12 to USD 1.7 billion in FY13 and net aid flows increased from USD 671 million to USD

Chart 10.1 Key indicators of external sector



841 million during the same period. Improved external balances are reflected in the accumulation of international reserves to over USD 15 billion at the end of FY13, sufficient to cover 5.5 months of projected imports. The overall balance of payments surplus in FY13 was USD 5128 million.

Trends of some major external sector indicators may be seen in Chart 10.1. Table XVI of Appendix-3 of this Report shows the balance of payments statement for FY13 and FY12. Chart 10.2 portrays the trends of trade, current account and overall balances as a percentage of GDP.

10.3 Merchandise exports (fob) increased by USD 2577.0 million (or 10.7 percent) in FY13 to USD 26566.0 million (Appendix-3, Table-XVI). Though tea, raw jute and frozen shrimp and fish recorded negative growth of 29.4 percent, 13.7 percent and 11.5 percent respectively, other major exportable items showed positive growth. Growth of export of footwear (25.0 percent), leather (21.0 percent), woven garments (15.0 percent), jute goods (14.2 percent), petroleum by-product (14.0 percent) and knitwear (10.4 percent) contributed to increase the growth of merchandise exports in FY13. The export of miscellaneous products, subsumed under the "others" category showed a positive growth of 20.9 percent in value terms during FY13.

10.4 Merchandise imports (fob) increased by USD 267.0 million (0.8 percent) in FY13 to USD 33576.0 million. Import of pulses (73.7 percent), oil seeds (36.2 percent), wheat (13.5 percent), crude petroleum (11.7 percent), textile & textile articles thereof (8.3 percent), chemicals (7.6 percent), staple fibre (6.3 percent), iron, steel and base metals (5.0 percent) etc. led to the increase in overall import. Import payment growth for sugar (37.9 percent), fertiliser (14.0 percent), food grain (19.4 percent), edible oil (14.7 percent), spices (14.5 percent), capital machinery (8.5 percent), POL (7.1 percent) etc. were negative. Imports (fob) as a percentage of GDP decreased by 2.8 percentage points from 28.7 in FY12 to 25.9 in FY13.

10.5 The trade deficit declined significantly by 24.8 percent in FY13 owing to the relatively larger expansion in export earnings compared to the increase in import expenditure. Therefore, a higher increase in exports than import notably narrowed down the trade deficit from USD 9320.0 million in FY12 to USD 7010.0 million in FY13. The deficit on the services account, however, widened by USD 158.0 million (5.3 percent) to USD 3159.0 million in FY13 from USD 3001.0 million in the previous year. The deficit on the primary income account also widened significantly (49.5 percent) to USD 2315.0 million in FY13 from USD 1549.0 million in FY12. Secondary income increased substantially (11.8 percent) from USD 13423.0 million in FY12 to USD 15009.0 million in FY13. Workers' remittances recorded an increase of 12.6 percent in FY13. The net outcome of all these, current account balance widened substantially from deficit of USD 447.0 million in FY12 to USD 2525.0 million surplus in FY13. Current account balance as a percentage of GDP stood at 1.9 in FY13 against 0.4 in FY12.

Exports

10.6 Table 10.1 shows that total exports in FY13 had a strong growth over the same period of FY12. Aggregate exports increased by 11.2 percent in FY13 to USD 27027.4 million from USD 24301.9 million in FY12. Apparels (woven garments and knitwear products) continued to occupy an overwhelming (above three fourth) share of the export basket in FY13.

Destination

10.7 The destination pattern of exports excluding those from EPZs in FY13 showed continued heavy dependence on the markets in Europe. 51.7 percent of exports were destined for the EU bloc while another 24.5 percent entered into the NAFTA bloc. Export to the ASEAN countries was 1.8 percent, SAARC and other regions constituted 2.6 percent and 19.4 percent respectively of total exports in FY13 (Chart 10.3).

Composition

10.8 **Readymade garments** (woven and knitwear): Woven and knitwear products, which fetch about 79.6 percent of total export earnings, registered a high increase in receipts, from USD 19089.7 million of FY12 to USD 21515.8 million in FY13. Woven and Knitwear products grew by 15.0 percent and 10.4 percent respectively in FY13.

10.9 **Frozen food:** The frozen foods sector, comprising mainly of shrimps, registered marked decrease in earnings during FY13. Receipts from export of shrimp and fish decreased by 11.5 percent from USD 579.8 million of FY12 to USD 512.9 million in FY13.

10.10 **Raw jute:** In FY13, raw jute valued at USD 229.9 million was exported compared with USD 266.3 million in FY12, i.e. a 13.7 percent fall in exports during the year.

Chart 10.2

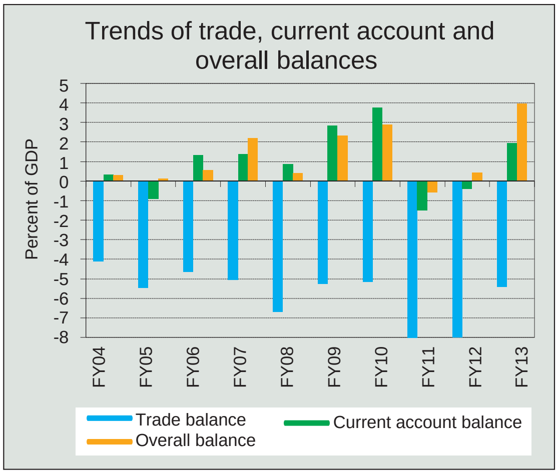


Chart 10.3

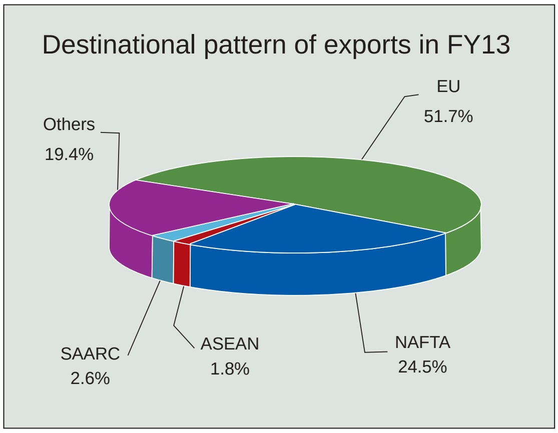


Table 10.1 Composition of merchandise exports

(million US Dollar)

Items	FY12	FY13	% change
1) Raw jute	266.3	229.9	-13.7
2) Jute goods	701.1	800.7	14.2
3) Tea	3.4	2.4	-29.4
4) Home textile	906.1	791.5	-12.6
5) Leather and leather products	330.2	399.7	21.0
6) Frozen shrimps and Fish	579.8	512.9	-11.5
7) Woven garments	9603.3	11039.9	15.0
8) Knitwear products	9486.4	10475.9	10.4
9) Chemical products	103.0	93.0	-9.7
10) Petroleum by-product	275.4	314.0	14.0
11) Engineering products	375.5	367.5	-2.1
12) Specialised textiles	138.8	124.5	-10.3
13) Footwear	335.5	419.3	25.0
14) Others	1197.1	1456.2	20.9
Total:	**24301.9**	**27027.4**	**11.2**

Source: Export Promotion Bureau.

10.11 **Jute goods** (excluding carpets): Jute products valued at USD 800.7 million was exported compared with USD 701.1 million in FY12 showing an increase of 14.2 percent in FY13.

10.12 **Leather:** Export earnings from leather and leather products increased by 21.0 percent to USD 399.7 million in FY13 from USD 330.2 million in FY12.

10.13 **Home Textile:** Export earnings from home textile declined by 12.6 percent to USD 791.5 million in FY13 from USD 906.1 million in FY12.

10.14 **Engineering products:** These exports fell marginally from USD 375.5 million in FY12 to USD 367.5 million in FY13.

10.15 **Chemical Products:** Export earnings from Chemical Products decreased by 9.7 percent to USD 93.0 million in FY13 against USD 103.0 million in FY12.

Export Development Fund

10.16 In order to facilitate export of the country, Export Development Fund (EDF) was increased from USD 600.0 million to USD 800.0 million in January 2013.The revolving EDF is used to provide refinancing facilities to the AD banks in financing direct & deemed exporters in garments, textile, bi-cycle sectors and BTMA member mills for import of primary and intermediary raw materials, accessories and packaging materials with a single borrower exposure up to a maximum limit of USD 10.0 million. An EDF loan is also used to provide to an AD against their foreign currency financing of input imports of BGAPMEA member mills, shall not exceed (i) the value realised in foreign exchange against inland back to back LCs over the past twelve months, or (ii) USD 1.0 million, whichever is lower. The interest rate on USD under EDF is charged at six-month LIBOR+2.5 percent out of which LIBOR+1 percent is for EDF and the rest 1.5 percent for concerned AD banks. Total disbursement from EDF in FY13 stood at USD 1740.1 million as against USD 1261.9 million in FY12. The outstanding balance at the end of June 2013 stood at USD 799.9 million, which was USD 498.9 million in FY12.

Imports

10.17 Import payments (fob) in FY13 were USD 33576.0 million registering a positive growth of 0.8 percent compared to USD 33309.0 million in FY12. Table 10.2 shows the composition of imports; the major items are petroleum related products, wheat, textiles, raw cotton, edible oil, sugar, capital machinery, plastics, rubber and fertiliser. Food grains import decreased substantially by 19.4 percent to USD 726.0 million in FY13 (rice 89.6 percent) from USD 901.0 million in FY12 mainly due to adequate domestic supply of rice during the period. On the other hand wheat import increased by 13.5 percent to USD 696.0 million in FY13. Pulses, oil seeds, wheat, crude petroleum, chemicals, textile & articles thereof etc. recorded increases of imports during FY13. Imports of other food items recorded significant negative growth of 13.1 percent to 3128.0 million in FY 13 from USD 3600.0 million in FY12 (sugar 37.9 percent, edible oil 14.7 percent, spices 14.5 percent and milk & cream 3.2 percent). However, pulses recorded positive import growth of 73.7 percent during the year. Consumer and intermediate goods import recorded negative growth which decreased by 0.5 percent to USD 16694.0 million in FY13 from USD 16783.0 million in FY12 (fertiliser 14.0 percent, POL 7.1 percent, raw cotton 3.8 percent, clinker 3.4 percent, yarn 2.0 percent). Except iron, steel & other base metal, capital machinery and others under the category of capital goods and others showed negative import growth. Therefore, imports of capital goods and others decreased by 9.0 percent to USD 11031.0 million in FY13 from USD 12118.0 million in FY12 (others 13.0 percent and capital machinery 8.5 percent). However, imports by EPZ increased by 18.5 percent to USD 2505.0 million in FY13 compared to USD 2114.0 million in FY12.

Terms of Trade

10.18 The terms of trade remained same at 70.3 in FY13. Both the import price index and export price index increased by 7.7 percent during the year.

Bilateral and Multilateral Relations

10.19 Bangladesh continued strengthening its foreign trade ties in FY13 through bilateral, regional and multilateral negotiations and agreements. Bangladesh participated in a number of key negotiations with a view to protecting the country's trade and economic interests. Bangladesh continued to participate in negotiation on a new Agreement on Trade Facilitation (ATF), aimed at harmonising customs and other trade facilitation procedures and regulations. Nepal and Bangladesh have agreed to expand bilateral trade and transport facilities between them.

10.20 During the fourth Nepal-Bangladesh commerce secretary-level talks that

Chart 10.4

Table 10.2 Composition of merchandise imports

(million US Dollar)

Items	FY12	FY13^{p}	% change
A. Food grains	**901**	**726**	**-19.4**
1. Rice	288	30	-89.6
2. Wheat	613	696	13.5
B. Other food items	**3600**	**3128**	**-13.1**
1. Milk & cream	221	214	-3.2
2. Spices	138	118	-14.5
3. Oil seeds	177	241	36.2
4. Edible oil	1644	1402	-14.7
5. Pulses (all sorts)	243	422	73.7
6. Sugar	1177	731	-37.9
C. Consumer and intermediate goods	**16783**	**16694**	**-0.5**
1. Clinker	504	487	-3.4
2. Crude petroleum	987	1102	11.7
3. POL	3922	3642	-7.1
4. Chemical	1210	1302	7.6
5. Pharmaceutical products	119	119	0.0
6. Fertiliser	1381	1188	-14.0
7. Tanning & dyeing extracts	375	399	6.4
8. Plastics & rubber articles thereof	1366	1366	0.0
9. Raw cotton	2084	2005	-3.8
10. Yarn	1384	1356	-2.0
11. Textile & articles thereof	3023	3273	8.3
12. Staple fibre	428	455	6.3
D. Capital goods and others	**12118**	**11031**	**-9.0**
1. Iron, steel & other base metal	2224	2335	5.0
2. Capital machinery	2005	1835	-8.5
3. Others	7889	6861	-13.0
E. Imports by EPZ	**2114**	**2505**	**18.5**
Total import (c & f)	**35516**	**34084**	**-4.0**
Total import (fob)*	**33309**	**33576**	**0.8**

Source: Statistics Department, Bangladesh Bank.
P= Provisional.
* as per BoP Manual 6.

concluded in Kathmandu, Bangladesh agreed to provide zero-tariff facility on 100 Nepali agriculture and other products. Bangladesh has expressed commitment to improve and simplify the transport connectivity in the border areas to boost bilateral trade activities between the two nations.

10.21 Standard and Poor (S&P) and Moody's Investors Service continue to rate Bangladesh at Ba3 (Moody's) and BB- (S&P) with stable outlook for the fourth consecutive year (2010-13). Bangladesh is rated second highest in South Asia only behind India (BBB-) and ahead of Sri Lanka (B+) and Pakistan (B-). In the global economic arena, other countries in the BB- category along with Bangladesh are Vietnam, Mongolia and Nigeria.

Workers' Remittances

10.22 Despite continued global economic slowdown, the flow of inward remittances from Bangladeshi nationals working abroad remained strong in FY13 and continued to play an important role in strengthening the current account balance. Remittance inflow increased by 12.6 percent to USD 14338 million in FY13 from USD 12734 million in FY12. (Appendix-3, Table-XVI) However, as discussed above the rate of remittance growth sharply slowed down in the second half of FY13 compared with the first half. The share of major source countries in the remittance receipt of FY12 and FY13 are given in Chart 10.6.

Foreign Aid

10.23 Total official foreign aid disbursement increased by 31.0 percent to USD 2786 million in FY13 from USD 2126 million received in FY12 (Table 10.4). This was despite a decline in food aid which amounted to USD 20 million in FY13 against USD 69 million in FY12. The disbursement of project assistance stood at USD 2766 million in FY13, compared with USD 2057 million in FY12. Total outstanding official external debt as of 30 June 2013 was USD 23319 million (18.0 percent of GDP in FY13) against USD 22095 million as of 30 June 2012 (19.0 percent of GDP in FY12). Repayment of

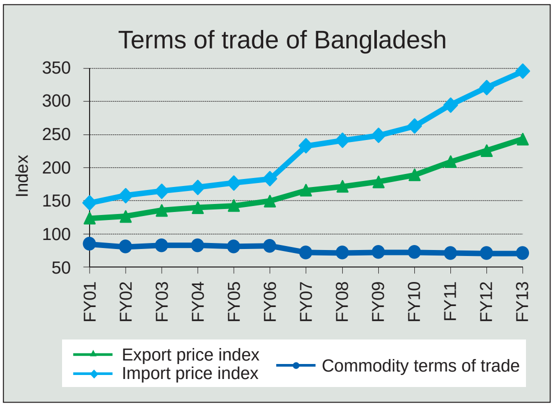
Table 10.3 Terms of trade of Bangladesh

(Base: FY96=100)

Year	Export price index	Import price index	Commodity terms of trade
FY00	120.3	136.2	88.4
FY01	123.2	146.4	84.1
FY02	126.2	157.8	80.0
FY03	135.2	164.2	82.4
FY04	139.6	170.0	82.1
FY05	142.4	176.7	80.6
FY06	149.3	183.1	81.5
FY07	165.7	232.5	71.3
FY08	171.3	241.2	71.0
FY09	178.2	248.3	71.8
FY10	188.9	262.4	72.0
FY11	208.5	294.6	70.8
FY12	225.6	321.0	70.3
FY13	242.9	345.6	70.3

Source: Bangladesh Bureau of Statistics.
* estimated.

Chart 10.5



official external debt amounted to USD 1102 million (excluding repurchases from the IMF) in FY13. Out of the total repayments, principal payments amounted to USD 906 million while interest payments stood at USD 196 million in FY13, against USD 789 million and USD 200 million respectively during FY12. The debt-service ratio as percentage of exports was 4.1 percent in FY13.

Foreign Exchange Market Operations

10.24 The exchange rate is determined based on market demand and supply forces of the respective currencies. Bangladesh Bank may purchase and sell currencies as and when it deems necessary to maintain stability in the foreign exchange market. Taka appreciated by 5.2 percent during FY13, which witnessed depreciation of 10.0 percent during FY12. The weighted average interbank rate stood at Taka 77.8 per USD as of 30 June 2013 against 81.8 as on 30 June 2012. Over the year Bangladesh Bank purchased USD 4539 million with a view to avoiding excessive volatility of the exchange rate and keeping in mind exporters interests. The volume of inter-bank foreign exchange transaction in FY13 stood at USD 18579.8 million which include spot, forward, swap transactions and was 37.4 percent lower than that of the USD 29696.6 million in FY12.

Foreign Exchange Reserves

10.25 The gross foreign exchange reserves held by Bangladesh Bank comprises holdings of gold and foreign exchange, the reserve position with the IMF and holding of Special Drawing Rights (SDR). In FY13, the gross foreign exchange reserves of Bangladesh

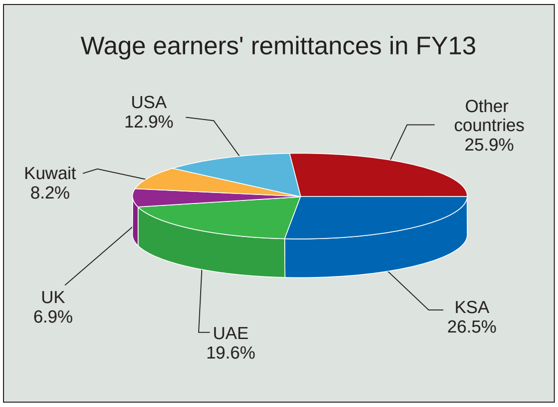
Table 10.4 Foreign aid receipts and debt repayments*

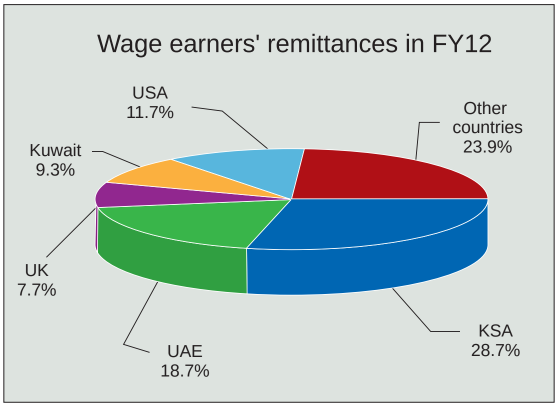
(million US Dollar)

Particulars	FY11	FY12[R]	FY13[P]
1. Receipts	**1777**	**2126**	**2786**
i) Food aid	55	69	20
ii) Project aid	1722	2057	2766
2. Repayments (MLT)	**933**	**989**	**1102**
i) Principal	739	789	906
ii) Interest	194	200	196
3. Outstanding external debt as of end June	22086	22095	23319
4. Outstanding external debt as percentage of GDP	19.7	19.0	18.0
5. External debt services (MLT) as percentage of exports	4.1	4.0	4.1

P= Provisional, R= Revised.
* Excluding transactions with the IMF.

Chart 10.6





Bank reached at a record high of USD 15344.9 million as on 27 June 2013 and stood at USD 15315.2 million at the end of FY13 which is 47.8 percent higher than USD 10364.4 million of the same period of FY12. The gross foreign exchange reserve is sufficient to meet more than five months import obligations. In order to strengthening the long term stability of the country's reserves and diversifying the external asset portfolio BB invested foreign exchange reserves in sovereign/ supranational/ highly reputed corporate bonds, treasury bills of US Government and in short term deposit with highly reputed commercial banks.

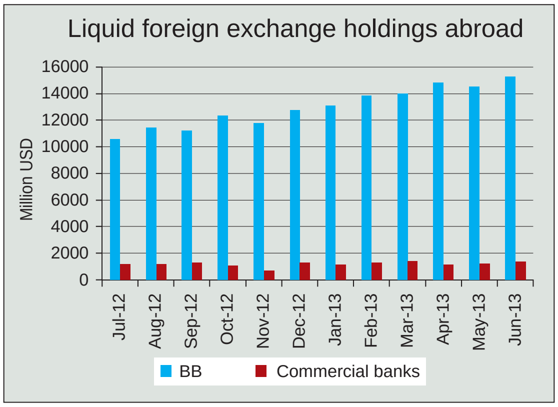
Table 10.5 Gross foreign exchange reserves of the Bangladesh Bank

(end month, million USD)

Months	FY09	FY10	FY11	FY12	FY13
July	5820	7741	10749	10381	10570
August	5966	9156	10992	10914	11435
September	5863	9363	10834	9884	11252
October	5551	9545	11160	10338	12340
November	5245	10336	10700	9285	11754
December	5788	10345	11174	9635	12751
January	5577	10098	10382	9386	13077
February	5872	10555	11159	10067	13848
March	5953	10142	10731	9579	13971
April	6509	10602	11316	10193	14829
May	6563	10146	10431	9520	14531
June	7471	10750	10912	10364	15315

Source: Accounts and Budgeting Department, BB.

Chart 10.7



Reserve Management Strategy

10.26 The BB's reserve management strategy and operational procedures are strongly influenced by developments of the financial markets and by various elements of the policy environment in which BB operates. BB brought about significant changes in the monetary management in relation to its reserve management mechanisms which are aligned to best international practices. Reserve management operations are currently performed by following Reserve Management Guidelines duly approved by the Board of Directors of Bangladesh Bank. Main objectives of the BB for holding foreign exchange reserves include maintenance of safety and adequate level of reserves to cover imbalances in the balance of payment, to maintain confidence in the external value of the Taka and as a store of value to protect the economic well-being of the country. Other integral parts of reserve management are to meet foreign debt obligations, liquidity of reserves for the purpose of exchange rate management, stimulating exports, minimising exchange rate volatility and finally, earning optimal return from the reserves assuming controlled risks in a prudent manner which will preserve the nominal value of the reserves. To contain counterparty risk, BB diversifies its investments out of its reserves among a number of internationally reputed central and commercial banks' bond and bill having good credit ratings assigned by the international rating agencies. With a view to minimising exchange rate risk, currency composition has been diversified among the major currencies. Investment duration and currency benchmark are carefully followed to minimise interest rate risks, while reserve management and investment functions have been segregated among three independent reporting units viz., Front Office, Middle Office and Back Office to mitigate operational risks. However, keeping in view the stipulated liquidity restrictions and market & credit risk limits, BB diversified its portfolio investment into gold, T-bills, repos, short-term deposits including other money market instruments and high rated sovereign, supranational and corporate bonds.

Transactions under Asian Clearing Union (ACU)

10.27 Total transactions of Bangladesh under the Asian Clearing Union (ACU) decreased in terms of volume during FY13 compared to the preceding year. Bangladesh remained a net debtor during FY13. Receipts decreased from ACUD 208.7 million (Taka 1708 crore) to ACUD 161.1 million (Taka 1253 crore) and import payments decreased from ACUD 4766 million (Taka 38998 crore) to ACUD 4419 million (Taka 34366 crore) with the ACU member countries during the FY13. As a result, the net debtor position of Bangladesh decreased by ACUD 299 million or 6.56 percent to ACUD 4258 million (Taka 33113 crore) in FY13 compared to ACUD 4557 million (Taka 37290 crore) in the preceding year. Receipts and payments of Bangladesh under ACU arrangement during the last three years are shown in Table 10.6.

Table 10.6 Receipts and payments of Bangladesh under the ACU

(million US Dollar)

Head of transaction	FY11	FY12	FY13	% change
1. Receipts (Export)	282.66	208.70	161.10	22.80%
	(2098.27)	(1707.71)	(1252.74)	
2.Payments(Import)	5299.84	4766.00	4419.54	7.26%
	(39342.25)	(38997.87)	(34366.02)	
Net: surplus (+)/ deficit (-)	-5017.18	-4557.30	-4258.44	6.55%
	(-37243.98)	(-37290.16)	(-33113.28)	

Note: Figures in parentheses indicate Taka in crore.
1 ACUD = 1 USD; 1 USD = 77.76 Taka.

Table 10.7 Outstanding principal liabilities against the facilities received from the IMF

(million SDR)

Facility	Amount Drawn/ purchased up to June 2008	Outstanding principal liability as of end June 2012	Instalment repayment in FY13	Outstanding principal liability as of end June 2013
PRGF, June 2003	316.73	185.67	63.35	122.32
Emergency/ Natural Disaster Assistance, April 2008	133.33	66.67	66.68	-
ECF April 2012	274.26	91.42	--	274.26
Total :	**724.32**	**343.76**	**130.03**	**396.58**

Source: Forex Reserve and Treasury Management Department, BB.

Transactions with the IMF

10.28 In April 2012, the IMF Executive Board approved a three-year arrangement for Bangladesh under the Extended Credit Facility (ECF) equivalent to a total amount of SDR 640.0 million which is to be disbursed in seven equal instalments. Bangladesh has already received SDR 274.26 million in three equal instalments under ECF at the end of FY13. In FY13, repayment was made against PRGF loan amounting to SDR 63.35 million to the IMF. The outstanding principal liabilities under PRGF stood at SDR 122.32 million at the end of FY13. On the other hand, outstanding principal liabilities under ECF stood at SDR 274.26 million in FY13. It is mentioned that in FY 13, repayment against Emergency Natural Disaster Assistance Programme (ENDAP) loan was completed. The total principal outstanding liabilities to the IMF at the end of June 2013 stood at SDR 396.58 million. Service charges paid to the IMF during FY13 amounted to SDR 0.85 million (Table 10.7).

Changes in Foreign Exchange Regulations

10.29 Bangladesh Bank in its ongoing endeavour to ease the foreign exchange regulations has embarked upon the following notable changes on exchange arrangements during FY13 :

a. To facilitate export sector, Government decided to continue cash incentive/export subsidy against export of various items under 15 categories for FY13. The items are (i) textile (ii) products made of hogla, straw, coir of sugarcane (iii) agriculture and agro-processed products (iv) crushed bone (v) light engineering (vi) liquid glucose produced in Ishwardi EPZ (vii) halal meat (viii) frozen shrimp and other fishes (ix) leather goods (x) export of textile goods at new markets (other than USA, Canada, EU) (xii) additional incentive for SME in textile sector (xiii) potato (xiv) pet-bottle flex and (xv) jute goods.

b. The ceiling of declaration requirement on Form C for inward remittance has been increased to more than USD 5000/equivalent from USD 2000/equivalent or more. However, remittances sent by Bangladeshi nationals working abroad do not require such declaration.

c. BB has enhanced the threshold limit of receipt of proceeds from small-value service exports, such as data entry/data processing, offshore IT services, BPO, etc., through online payment service providers (OPGSPs) up to a maximum of USD 2000 from USD 500 or equivalent in one instance. Earlier BB allowed the repatriation of export earnings from abroad through OPGSPs.

d. Annual individual travel quota limit to visit the countries of SAARC region & Myanmar in a calendar year has been enhanced from USD 1500 to USD 2,000 or equivalent. Annual travel quota limit to travel the countries other than SAARC region and Myanmar remained unchanged at USD 5,000 or equivalent per calendar year.

e. Bangladesh Bank has developed online reporting system for all types of foreign exchange transactions. In line with this development, banks have been advised to report all types of their foreign exchange transactions to Foreign Exchange Operation Department, Bangladesh Bank through web portal carried out from 1 January 2013.

f. Upper limit of LC opening without SWIFT has been enhanced from USD 6,000 to USD 7,500 in case of import of coal only through land port.

g. Local stock brokerage firm acting in Bangladesh on behalf of foreign stock brokerage firms abroad have been allowed to repatriate share of commission earning to the latter against service rendered to foreign portfolio investors for investment in Bangladesh without prior approval of Bangladesh.

h. In order to have immediate access of foreign exchange by the exporters, export bills relating to direct and deemed export on usance basis of Bangladeshi products, can be discounted in foreign exchange by the concerned AD of the exporter using the fund obtained from Off-shore banking unit or foreign correspondent banks/ financial institutions or international financing organisations However total financing and other costs can not exceed 6 pecent per annum.

i. EDF loan has become made available to the member mills of the Bangladesh Garments Accessories & Packaging Manufactures & Exporters Association (BGAPMEA) for making bulk import payment of raw materials for local deliveries of garment accessories to manufacture-exporters against inland back to back LCs in foreign exchange.

j. Besides the balances held in exporters' retention quota accounts, IT/Software firms can remit abroad USD 20,000 per calendar year to meet their bonafide expenses. Earlier the limit was USD 10,000 per year.

k. Foreign nationals who are resident in Bangladesh and who have an income in Bangladesh are permitted to make monthly remittance to the country of their domicile out of their current savings up to 75% of their net income to cover their commitments abroad. Earlier, the said threshold was 50%.

l. Permission has been given to authorised dealers to allow their cardholder customers to use International credit cards (ICCs) for online payment not exceeding USD 100 or its equivalent at a single transaction against legitimate purchases of items of goods and services (such as downloadable application software, e-books etc.) from reputed and reliable sources abroad. ICC holders have also allowed for online payments against such purchases upto the available unused annual travel quotas plus an additional amount not exceeding USD 1,000 annually. ICC holders will be liable to fulfill tax/duty payment obligations, if any, in such payments.

m. India and Bangladesh opened *border 'haats,'* or common marketplace in different places of the border of the two countries for carrying on traditional border trade at these places. To facilitate transactions in these haats, Bangladesh Bank issued Amended Notification No. FE-01/2013-BB, dated 9 June 2013 allowing purchases by each individual in the *border haats* to respective local currency equivalent of USD 100 which was USD 50 earlier.

Anti-money Laundering Surveillance

10.30 Pursuant to section 24 (1) of the Money Laundering Prevention Act, 2012, an independent unit named "Bangladesh Financial Intelligence Unit (BFIU)" has been established, to execute the power and responsibilities conferred to Bangladesh Bank, abolishing the Anti-Money Laundering Department of Bangladesh Bank through an administrative circular of Human Resources Department, dated 25 January 2012.

Under the provision of the Money Laundering Prevention Act (MLPA) and Anti-Terrorism Act (ATA), BFIU has taken various initiatives and steps to prevent money laundering and terrorist financing throughout the country in FY13.

Reporting Agencies and their Regulatory Regime

10.31 BFIU has issued separate guidance notes on prevention of Money Laundering and Terrorist Financing for the financial institutions and capital market intermediaries with effect from 16 September 2012 and 30 December 2012 respectively.

BFIU has given instructions to be followed for International and Domestic Wire Transfer by all schedule banks and institutions which remit or transfer money or money value or are involved in mobile banking services effective from 17 December 2012.

BFIU has given instructions to be followed by all reporting agencies for compliance of Freezing Accounts of listed individuals or institutions and other issues under the sanction list of different resolutions of United Nations Security Council with effect from 10 October 2012.

A number of cases have been passed on to the Anti-Corruption Commission (ACC) for necessary action after prima facie inspection. BFIU has been monitoring the update of those cases.

A number of bank accounts have been suspended by Bangladesh Bank on suspicion of money laundering and Terrorist Financing (TF) under the provisions of MLPA, 2012 and ATA, 2009.

BFIU has received 237 Suspicious Transaction Reports (STRs) during FY13 and in total 1310 till 30 June 2013.

Legal System

10.32 The BFIU has performed a major role in drafting the Anti Terrorism (Amendment) Act (ATA), 2013. A Statutory Regulatory Order (SRO) regarding the implementation process of different resolutions of United Nations Security Council has been circulated by the Ministry of Foreign Affairs with effect from 29 November 2012. BFIU has performed a major role in drafting the SRO.

Initiatives Strengthening by BFIU

10.33 The organogram of BFIU has been reviewed.

An International AML/CFT expert was appointed as a consultant for the period of August-October, 2012. He has conducted the gap analysis considering the present AML/CFT status of Bangladesh and the revised standard of FATF recommendations, reviewed the BFIU Mannual, arranged Inter-Agency Training, etc.

The goAML software has been procured from the UNODC(United Nations Office on Drugs and Crime) for online reporting of Cash Transaction Report (CTR) and Suspicious Transaction Report (STR) by the reporting agencies. The implementation of goAML software is being conducted in 3 steps. To ensure the pre-production environment the goAML software has already been installed. Seven banks under pilot project are submitting their CTRs and STRs on test basis.

To establish inter agency connectivity among the different organisations, (eg: National Board of Revenue, Election Commission, etc) a committee has been formed. The Additional Secretary of Ministry of Home affairs is the convener and BFIU is the member secretary of that committee.

International Cooperation

10.34 Bangladesh has developed a time bound national action plan for the period of 2011-13 to upgrade its AML/CFT regime at par with the international standards and to get rid of International Cooperation Review Group (ICRG) process of Financial Action Task Force(FATF). BFIU, with coordination of different ministries and law enforcement agencies is completing the outstanding tasks.

Bangladesh Financial Intelligence Unit has signed 15 MoU so far, among them 4 MoU have been signed in FY13 (with South Africa, Mongolia, Japan and Myanmar).

The fifth meeting of the BIMSTEC Sub-Group on Combating the Financing of Terrorism (SG-CFT) under the BIMSTEC Joint Working Group on Counter-Terrorism and Transnational Crime (JWG-CTTC) was held on 6-8 March 2013 in Dhaka, Bangladesh. BFIU arranged the meeting which depicts the enhanced cooperation.

Awareness Building Programme

10.35 Bangladesh Financial Intelligence Unit has continued its effort to create awareness among the bank officials. Furthermore, it has extended this programme for the officials of other reporting organisations. It has encouraged the banks to conduct a number of training programmes for their officials on AML/CFT in 56 districts and provided support to make the programme successful. It has also encouraged and provided support to other reporting organisations to arrange training programmes for their officials. Moreover, workshops have been arranged for other law enforcing agencies.