

## SECTION- IV

### EXPORTERS' RETENTION QUOTA ( ERQ) ACCOUNT

#### **27. (a) Retention quota for merchandise exporters**

Merchandise exporters are entitled to a foreign exchange retention quota of 60(sixty) percent of repatriated FOB value of their exports. However, for exports of goods having high import content (low domestic value-added) like POL products including naphtha, furnace oil and bitumen, readymade garments made of imported fabrics, electronic goods etc. the retention quota is 15(fifteen) percent of the repatriated FOB value.

#### **(b) Retention quota for deemed exporters**

Retention quota account may also be opened and maintained in the names of deemed exporters for supplying inputs against inland back to back letter of credit denominated in foreign currency. Since foreign exchange earned from direct export is to be shared among direct and deemed exporters, ADs are obliged for the meticulous compliance of the followings:

(i) the total amount credited to the direct exporter's retention quota account together with foreign exchange paid to the deemed exporter against supply of input must not exceed the net repatriated FOB export value of the direct exporter; and

(ii) the foreign exchange shall be credited to the retention quota account of the deemed exporter only after settlement of the amount against back-to-back LC for deemed export.

#### **(c) Retention quota for export of software, data entry/processing and other ICT related services**

Exporters of software, data entry/processing and other ICT related services may retain 70(seventy) percent of net export earnings repatriated in foreign exchange in ERQ accounts.

#### **(d) Retention quota for other service exporters**

Service exporters other than those mentioned at para (c) above may retain 60(sixty) percent of their repatriated export receipts in ERQ accounts against service rendered in non-physical form

However, foreign exchange earnings on account of indenting commission or agency commission for export from Bangladesh cannot be credited to such accounts since these incomes originate from Bangladesh sources.

#### **28.(A) Eligible currency and utilisation**

(i) Foreign exchange out of the retention quota may be maintained in FC accounts with the concerned ADs in USD, Pound Sterling, Euro or Japanese Yen upon realisation of the export

proceeds. Balances in these accounts may be used by the exporters for bonafide business purposes, such as business visits abroad, participation in export fairs and seminars, establishment and maintenance of offices abroad, import of raw materials, machinery and spares, repayment of authorised foreign loan etc. without prior approval of Bangladesh Bank. In addition, ADs on request by the IT/Software exporting firms can remit international alliance/software registration fee, domain registration/hosting fee, server maintenance fee, account verification/remittance test fee, etc. from the ERQ account of the applicant without prior approval of Bangladesh Bank. Foreign exchange from the ERQ account cannot be used for investment abroad by the exporter.

(ii) Transfer of unencumbered foreign currency between the ERQ accounts of same exporter maintained out of export receipts with different ADs is permissible for bonafide transactions as mentioned in (i) above. Besides, fund from ERQ accounts of the exporters may be used for settlement of import liability and repayment of authorised foreign loan of their subsidiaries/sister concerns. However, fund from ERQ accounts of the exporters held at other ADs may be used for (1) settlement of import liability of the exporters and for (2) settlement of import liability & repayment of authorised foreign loan of exporters' subsidiaries/sister concerns under compliance with the following instructions:

**(a) Fund transferring AD:**

(i) ADs shall be satisfied that the fund will be used only for imports and repayment of foreign loan of the exporters or their subsidiaries/sister concerns by other ADs and the fund is unencumbered.

(ii) Transfer will be executed through FDD to be settled through Bangladesh Bank clearing accounts of ADs. This instruction shall not be applicable for fund transfer and receipt in the same AD.

**(b) Fund receiving AD:**

(i) ADs shall retain the fund in margin account till settlement of import payments and repayment of foreign loan.

(ii) ADs shall settle the import payments in compliance with Import Policy Order in force, foreign exchange regulations and other import related instructions. For repayment of foreign loan, concerned instructions mentioned in Chapter 15 of this publication and loan approval letter of the competent authority shall have to be followed.

**(B) Term deposit and interest thereon**

Foreign exchange out of ERQ account may also be kept as interest bearing renewable term deposits with the concerned ADs in Bangladesh in US Dollar, Pound Sterling, Euro or Japanese Yen, with minimum balances of USD 2,000(two thousand) or its equivalent. Periods of such term deposits may be determined in accordance with normal banking practices/normal banking

considerations. Interest on such deposits may be allowed at rates comparable to the prevailing euro deposit rates for the relevant currency.

### **C) Advance payment against import using ERQ accounts**

ADs may effect advance payment not exceeding USD 25,000(twenty five thousand) or its equivalent from the ERQ account against bonafide business purposes provided the relevant contract/proforma invoice stipulates for such payment subject to the following terms and conditions:

- (a) The ADs shall have to be satisfied that repayment guarantee is not obtainable from the supplier against the remittance to be made in advance;
- (b) IPO in force shall have to be meticulously followed;
- (c) The ADs shall, at their own responsibility, have to arrange for repatriation of the remittance made in advance in case the entry of goods into the country is not effected within the stipulated time;
- (d) While opening Back to Back L/C, the ADs should adjust the value of advance payment to ensure that the value addition requirement as stipulated in the IPO is not breached ; and
- (e) Before effecting the advance payment, the ADs must obtain Form of Undertaking (Appendix 5/15) duly signed by the importer.

### **29.International card**

International cards may be issued to the exporters against balances held in ERQ accounts. The arrangements for issuance of international cards and use thereof by exporters are described in Chapter-19.