

CHAPTER 3

BANGLADESH BANK'S TRANSACTIONS WITH ADs**1. Buying and selling**

Bangladesh Bank's purchase and sales from and to the ADs are in US Dollar only, on spot basis. All such transactions with Bangladesh Bank are required to be in multiples of USD 10,000, subject to a minimum of USD 50,000. ADs are free to quote their own rates, ready and forward, for transactions in the interbank market and with their customers.

2. Payments through ACU

(a) The central Banks of Bangladesh, India, Iran, Nepal, Pakistan, Sri Lanka, Myanmar, Bhutan and Maldives have an Agreement to settle current transactions between these countries through the Asian Clearing Union(ACU) mechanism. All such payments to the ACU member countries excepting those covered by loan/credit agreements are accordingly settled through the ACU mechanism in "Asian Monetary Units" which may be referred to in the abbreviated form as "AMUs". The Asian Monetary Units shall be denominated as 'ACU Dollar' and 'ACU Euro' which shall be equivalent in value to one US Dollar and one Euro respectively.

(b) The ACU Agreement referred to above provides for settlement of the following types of payments:

(i) Payments from residents in the territory of one participating country to residents in the territory of another participating country;

(ii) Payments for current international transactions as defined by the Articles of Agreement of the International Monetary Fund;

(iii) Payments permitted by the country in which the payer resides.

Besides, payments arising on account of import/export transactions on deferred payment terms will also be considered as eligible payments for being settled under ACU mechanism. However, payments not related to import and export of goods and services, except to the extent mutually agreed between two or more participants will be considered as ineligible payments for being settled under ACU mechanism.

The minimum threshold amount to be routed through ACU member central banks under ACU arrangement has been set at 500 (Five hundred) ACU Dollar or ACU Euro.

Transactions considered as ineligible for being settled under ACU mechanism may be settled bilaterally (as settlements take place other than under ACU mechanism) and shall be reported under Statement S-1 (or other relevant statements as the case may be), Guidelines for Foreign Exchange Transactions (Vol-2).

(c) ADs shall maintain nostro accounts in AMUs (ACU Dollar, ACU Euro) with their correspondent banks in ACU member countries for the purpose of settlements through ACU. Similarly accounts in AMUs (ACU Dollar and ACU Euro) may be opened by the ADs in their books in the names of their correspondents in ACU member countries. ADs may pay interest on the balance of nostro accounts in AMUs as per mutually agreed terms and conditions with the correspondent(s).

(d) An AD needing to fund its AMU nostro account with a correspondent bank in an ACU member country shall do so through Bangladesh Bank against surrender of the required amount in AMU, or of equivalent Taka at Bangladesh Bank's selling rate.

Bangladesh Bank will advise the central bank of the concerned ACU member country to make the amount available to the transferee bank in that country. After making the payment, the central bank of the recipient ACU member country shall advise the Secretary General of the ACU Secretariat to credit its account by debit to Bangladesh Bank's account.

(e) For repatriating funds from an AMU nostro account with a correspondent bank in an ACU member country, an AD shall advise the correspondent bank to route the payment through the central bank of that country, which will advise Bangladesh Bank to make the amount available to the recipient AD. Bangladesh Bank on receipt of the advice, shall make the fund available to the recipient AD (either in AMU or in equivalent Taka. at BB's buying rate, at the AD's option) and shall advise the Secretary General of the ACU Secretariat to credit its account by debit to the account of the central bank of the transferor ACU member country.

However, as the payment channel for processing 'ACU Euro' transactions has been suspended by some correspondents, ADs are advised to refrain from operations in 'ACU Euro' temporarily until further notice. Accordingly, all eligible current account transactions in 'ACU Euro' are permitted to be settled outside the ACU mechanism until further notice.

3. Clearing arrangement with Bangladesh Bank

(a) Bangladesh Bank operates a foreign currency clearing system enabling the AD banks to settle their mutual claims in US Dollar, Pound Sterling, Euro, Japanese Yen and Canadian Dollar arising from inter bank transactions; to economise the time and cost involved in settlements through correspondents abroad. Under this arrangement, AD banks maintain clearing accounts with the Bangladesh Bank in US Dollar, Pound Sterling, Euro, Japanese Yen and Canadian Dollar. Apart from the purpose of settlement with other ADs, these accounts may also be used for transfers to and from correspondents abroad.

(b) Settlement of the balances lying in each of the clearing accounts takes place at the end of each month. Bangladesh Bank charges interest on the debit balance in an account on daily

product basis and debits the bank's account at the end of each working day and pays interest on the amount of credit balance at the rates prescribed from time to time.

(c) Payment against inland foreign currency LCs and inland back to back LCs in foreign currency as mentioned in Para 35 & 40 respectively, Chapter 7 shall be settled through Bangladesh Bank FC clearing accounts of the concerned AD banks.

(d) Operation of the clearing system is centralised in the Forex Reserve and Treasury Management Department of Bangladesh Bank, Head Office, Dhaka; but the ADs in other centres may transfer funds to other banks through their Head/Principal Office in Dhaka.