

CHAPTER 4

SECTION-I

**FOREIGN CURRENCY ACCOUNTS OF THE ADS
AND PURCHASE AND SALE OF FOREIGN CURRENCY****1. Accounts in foreign currency**

ADs may maintain accounts in freely convertible currencies with their correspondents/branches abroad. However, maintaining relationship, opening of nostro accounts and transactions with correspondents shall be subject to compliance with AML-CFT regulations of Bangladesh Bank/ other competent authorities. Besides, a periodic statement regarding correspondent Banking shall have to be submitted to FEPD, Head Office, Bangladesh Bank on half yearly basis in July and January of each year (Appendix- 5/6) by Head Offices/Principal Offices of AD banks.

2. Foreign currency held by ADs at the disposal of the Bangladesh Bank

The foreign currencies held by ADs shall at all time be deemed to be held at the disposal of Bangladesh Bank. The Bangladesh Bank, through FEPD, may give such instructions with regard to the disposal of such currencies as it may deem necessary and expedient.

3. Open position

Bangladesh Bank sets prudential limits on each AD bank's open (overbought/oversold) exchange position. The AD should ensure that the prescribed open position limit is not exceeded. If an AD exceeds the prescribed limit and fails to furnish satisfactory explanation for the same, it may be asked to sell the excess amount ready and to cover its position by buying forward for deliveries corresponding to the maturities of its own forward obligations.

4. Overbought/oversold position in excess of prescribed limits

The ADs are required to work out their open exchange position (overbought/oversold) daily as at the close of the business on each working day and report to the Bangladesh Bank at the subsequent working day through RIT in the web portal of Bangladesh Bank (Para 22, Chapter 2, Vol-2). If for reasons beyond control the overbought/oversold position during the period under report is in excess of the prescribed limit, the daily statement must be accompanied by a letter explaining the circumstances. A hard copy of the daily exchange position statement prepared as per Appendices 49A & 49B, GFET (Vol-2), duly signed by responsible officials of the AD, shall have to be preserved for at least five years for eventual utilisation/inspection by Bangladesh Bank.

5. Purchase of one currency against another

The ADs may enter into transactions for sale or purchase of foreign currencies both ready and forward with other ADs, foreign correspondents and overseas branches provided that all such transactions must be reported to the Bangladesh Bank in the appropriate Returns (See Chapter 2, Vol-2), daily exchange position statement (Para-4) and daily interbank transaction statement through online (Para-12).

6. Short term loans and overdrafts

The ADs may obtain short term loans and overdrafts for a period not exceeding seven days at a time from overseas branches and correspondents at the going market rates to meet their short term needs. If these loans or overdrafts require a collateral in Bangladesh or abroad prior approval must be obtained from Bangladesh Bank. Short term loans and overdrafts taken under the authority of this para may be remitted by the ADs without prior approval of Bangladesh Bank, but subject to report.

7. Reconciliation of nostro accounts

In pursuance to the 'Guidelines on Managing Core Risks in Banking' to be followed in case of foreign exchange risks for reconciliation of nostro accounts, Head Offices/Principle Offices of ADs are required to submit comprehensive review of all nostro accounts containing a complete list of all un-reconciled entries at the end of each quarter of the year; the list to be prepared by officials who have no involvement in the transaction and approval process of the nostro accounts. Banks are also required to make provisions periodically for debit entries remaining un-reconciled for more than three months as per schedule issued by Bangladesh Bank from time to time. In addition, June and December end reviews must be accompanied with certification of the External Auditor of the bank concerned on correctness of the status of the un-reconciled entries mentioned on the review.

Besides, banks are also required to submit summary of un-reconciled nostro account entries at the end of each month through online web portal [Para 26, Chapter 2, GFET (Vol-2)]. However, quarter-end statement will include summary of un-reconciled entries as per format given in Appendix 50, GFET(Vol-2).