

SECTION-II

FORWARD DEALINGS IN FOREIGN EXCHANGE

8. General

ADs may engage in forward sales only against bonafide need of the customers/counterparty banks. In all cases the ADs must ensure that the cover is intended to neutralise the risks arising from such transactions. ADs may purchase forward from banks and non-bank customers like exporters, foreign currency account holders (including retention quota accounts of exporters, foreign currency accounts of EPZ/EZ companies), exchange houses abroad etc. Be it forward sale or purchase, ADs must cover their own risk within the shortest possible time.

9. Forward sale and purchase

All forward contracts should be treated as firm and should be closed out on expiry. In such cases, the ADs should charge the difference between the contracted (booked) rate and the TT clean spot buying or TT spot selling rate, as the case may be, ruling on the date the contract is closed out. The forward contract should be closed without charging any difference if the rate moves in favour of the customer on the date of the closure. In other words, in case of a forward purchase by AD no difference will be charged if the TT spot selling rate on the date of closure is at par or lower (i.e., inferior from the point of view of the customer) than the booked rate. Similarly, no difference should be charged for closing out a forward sale contract if the TT clean spot buying rate on the date of closure is at par or higher (i.e., costlier than the booked rate from the point of view of the customer) than the booked rate. No forward contract should be renewed at the old rate. All cases of renewal should be treated as new contracts and the rates as applicable for purchase-sale of forward contracts on the date of renewal should be applied.

10. Swap Transactions

The ADs may undertake swap transactions in line with their counterparty limit in accordance with the core risk management guidelines issued by Bangladesh Bank to cover their risks arising from forward transactions and manage cash flow mismatch arising out of day to day transactions. However, they are advised to refrain from taking speculative positions through swap transactions.

11. Cross currency forward and swap

Cross currency swap and forward, not backed by underlying customers' transactions, can be undertaken only if the 'Guidelines on Managing Core Risks in Banking' (as prescribed by Bangladesh Bank vide BRPD Circular No. 17, dated 07 October, 2003, updated upto March, 2016) pertaining to Foreign Exchange Risk Management are implemented to the satisfaction of Bangladesh Bank.

12. Keeping records and submission of statements

All documents (copy of LCs, contracts etc.) relating to forward contracts and swap transactions must be preserved for subsequent inspection by Bangladesh Bank. Besides, ADs shall report all the interbank transactions on daily basis through online as instructed in Chapter 2, Para 26, GFET (Vol-2).

13. Two way quotation

ADs are advised to quote both sale and purchase rate while quoting/asking for any spot/forward transaction in the interbank market.