

CHAPTER 7

SECTION -1

IMPORTS

1. (a) Import Trade Control

Import of goods into Bangladesh is regulated by the Ministry of Commerce in terms of the Import and Export (Control) Act, 1950, through Import Policy Order (IPO) in force and Public Notices issued from time to time by the Office of the CCI&E. The instructions contained in this chapter apply to sales of foreign exchange, payment in foreign exchange or transfers to non-resident taka accounts against import of goods into Bangladesh.

(b) Registration of Importers : In terms of the Importers, Exporters and Indentors (Registration) Order, 1981 no person can import goods into Bangladesh unless he is registered with the CCI&E or exempted from the provisions of the said Order. Before LCAF is issued or LC is opened or remittance is made for imports into Bangladesh the AD should verify that the importer is registered with the CCI&E or other competent authority or otherwise exempted from such registration. The AD should ensure that the registration number of the importer is invariably furnished on the form IMP (Appendix 5/16). Where the importer is exempted from such registration, a suitable mention of this fact should be made on the form IMP.

(c) Online reporting

In addition to other reporting requirements to Bangladesh Bank, ADs shall report all types of permissible import transactions to the 'Online Import Monitoring System' of Bangladesh Bank on daily/regular basis.

2. Dealing with known customer

The ADs must ensure that they deal only with known customers having a place of business in Bangladesh and can be traced easily should any occasion arise for this purpose. Opening of LCs and payments for imports into Bangladesh should be made through an AD in the area where the holder of the LCAF is resident (Appendix-4 lists the areas for foreign exchange regulation purposes). In case the importer is a new customer to AD, the AD should obtain certificate from the AD through which the applicant imported earlier to the effect that no bill of entry is due/overdue for submission by the importer. The same should be duly verified by the AD through 'Online Import Monitoring System' of Bangladesh Bank.

3. Terms of imports

Appropriate Incoterms should be incorporated in the letter of credit/purchase contract in compliance with the IPO in force. Import shall usually be made on CFR/CPT basis (as the case

may be). However, import on FOB basis shall be subject to the provisions mentioned in Para 16 of this chapter.

4. Imports under special arrangements

Specific procedural instructions regarding imports under special arrangements or agreements (grants, loans, barter etc.) issued by the Bangladesh Bank from time to time should be followed by the ADs.

5. Use of correct HS Code

It is mandatory to use correct HS Code to indicate the classification of goods to be imported as per First Schedule of the Customs Act, 1969. No bank shall issue LCAF or open LC without quoting correct HS Code in the LCAF and LC or purchase contract (as the case may be). Failure to do so may lead to imposition of penalties by the Customs Authority. In all cases of doubt, reference should be made either by the AD or the customer direct to the concerned Customs Authority.

6. LC Authorisation Form

(a) The ADs are authorised to issue 'LCAFs' in conformity with the IPO allowing imports into Bangladesh. Import permits or clearance permits are not required for imports by the Ministries and Government Departments against specific allocation given to them by the government. But all Ministries and Government Departments except the Ministry of Defense shall duly submit LCAF to their nominated banks before opening LC/other arrangement for the purpose of import. The LCAFs, available with the ADs, are issued in sets of 5(five) copies each. Of these, the one marked "For Exchange Monitoring Purpose" should be used for opening LC and for effecting remittances. The ADs should be very careful about compliance with the instructions of the IPO and relevant Public Notices in the matters of issuance and disposal of LCAFs.

(b) (i) The ADs will not issue blank LCAFs to their clients. The importer should himself/herself sign the LCAF in the presence of an officer of the AD, an authorised official of the AD should put his/her signature with date and seal on the LCAF, evidencing verification of the importer's signature and import entitlement as per current IPO.

(ii) In no case the ADs will accept authenticated LCAF for opening LC direct from the parties. Normally the AD issuing and authenticating an LCAF would also open the LC but if it requires transfer to another AD this should be done directly by the transferring AD itself. The AD receiving the LCAF must conduct its own verification of the signatures on the LCAF before opening LC.

(c) LCAFs remain valid for remittances for one year subsequent to the month of issuance. For example, if an LCAF is issued on 15th January, 2017 remittances can be made there against upto 31st January, 2018. However, LCAFs issued for import of capital machinery and spares will remain valid for remittances for 30 (thirty) months subsequent to the month of issuance. The

ADs should not, under any circumstance, make remittance against any LCAF after the expiry of the above prescribed validity periods without first obtaining revalidation of the LCAF. However, approval of Bangladesh Bank will not be required for extending validity of LCAF related to import of capital machinery under long term supplier's/buyer's credit upon approval of BIDA; the approval of BIDA in this regard will suffice. Revalidation of LCAF will not be required for remittances against import out of fund held in foreign currency accounts of importers maintained under general or special authorisation from Bangladesh Bank.

7. Endorsement on LCAF

(a) When LCs are opened, full particulars thereof must be endorsed on the back of the exchange monitoring copy of the LCAF under the seal and signature of the AD. The value of LCAF will cover cost of goods, freight, insurance and other expenses (as the case may be) for the import. Besides, total FOB value of goods, freight, insurance and other charges thereof must be mentioned separately in foreign currency and in equivalent Taka while endorsing on the exchange monitoring copy of the LCAFs depending on permissible Incoterms used. In cases where miscellaneous charges i.e. handling charges, cartage/surface transportation, documentation charges etc., are required to be paid by the importers on arrival of goods through the Airlines, the ADs shall also endorse on the exchange monitoring copy of the LCAFs the amount of such charges as indicated in the airway bill in Bangladesh Taka alongwith the freight. The Taka equivalent of the LC opened or contract must be endorsed on the LCAF at the prevailing BC selling rate (spot), but if a forward exchange cover is provided, the conversion should be made at the actual forward rate. Foreign exchange must not be sold ready if a forward sale is outstanding against an LC or contract.

(b) Details of amounts remitted, whether under LC or otherwise, should be endorsed on the back of the exchange monitoring copy of the LCAF together with the number of the relative IMP form (Appendix 5/16). Appropriate reference to the LCs, the dates on which these were opened and remittances effected should be noted on the back of the LCAF in order to identify the endorsement against any particular LC opened or remittances effected.

(c) Before delivering the import documents to the importers, the AD should invariably endorse on the invoices accompanying the bills the amount both in figures and words that they have remitted from Bangladesh. The endorsement should be under the seal and signature of the ADs. In case of payment on deferred/usance basis, the amount for which the bill has been accepted should be endorsed in the invoices.

8. Cancellation of LCAF

On expiry of an LC unutilised partly or wholly, or on cancellation or reversal of sale of foreign exchange, the endorsements made on the back of the LCAF may be cancelled with appropriate remarks, under the seal and signature of the AD.

9. Endorsement made mistakenly

In case an endorsement is made mistakenly on a wrong LCAF, the AD may cancel the endorsement provided the endorsement is transferred simultaneously to the appropriate valid LCAF. Endorsement may be transferred only from one valid LCAF to another valid LCAF where both are identical in all respects.

10. Amounts for which LC may be opened and remittances made under LCAF

(i) The aggregate amount of foreign exchange sold against an LCAF whether under LC or otherwise, should not exceed the value mentioned in the LCAF, In case where LC was opened and remittance is needed in a floating currency against which no forward booking has been made, the Taka value of the LCAF shall be deemed to have been increased to the extent of appreciation of the foreign currency for the purpose of allowing remittance by the AD.

(ii) Applicable exchange rate on retirement of import bill

Import bill, unless forward cover has been taken, shall be retired at the rate of exchange prevailing on the date of lodgment in the book of AD.

11. Remittance in excess of the value of the LCAF

Remittance in excess of the value of the LCAF is not permissible without prior approval of Bangladesh Bank except for payment of normal bank charges of the foreign correspondents. In other words, the ADs need not adjust the amount of bank charges from the LCAF value. Remittances of bank charges should be reported to the Bangladesh Bank as usual. The ADs shall endorse the amount of bank charges remitted alongwith the date of remittance on the back of the exchange monitoring copy of the LCAF. They should also quote the approval number and date, if remittance is effected against any specific approval from Bangladesh Bank.

Bank charges of unusual nature i.e. not commonly attributable to transactions against LCs cannot be remitted without Bangladesh Bank's approval. Foreign bank charges in respect of imports in the public sector shall be on the suppliers account and, hence, cannot be remitted from Bangladesh. Bank charges under barter/special trade arrangements (STA) shall be payable in accordance with the relevant provisions therein.

12. LCAF issued in the name of a person/firm other than applicant

An AD may not open LC or make remittances of foreign exchange covering imports into Bangladesh in cases where the exchange monitoring copy of the relevant LCAF has been issued in the name of a person or firm other than that of the applicant. Such requests received by an AD should be referred to the area office of the CCI&E.

13. Remittance of proceeds of dishonoured bill

An AD should not remit the proceeds of bills in cases where the name of the importer on the bill of exchange differs from that on the LCAF. As an exception, where goods are imported under documentary collection (DP or DA) basis or even under LC and the original drawee dishonors the bill and the foreign shipper or his local agent finds another buyer for the goods, the AD may make the remittance without prior permission of the Bangladesh Bank provided it certifies that the applicant remitter is the buyer of the goods and provided the remitter is in possession of a valid LCAF covering the import of the goods in question.

14. Disposal of fully utilised or unutilised LCAF

Exchange monitoring copies of the LCAFs fully utilised or unutilised for the full amount shall be preserved by AD with IMP form and other import documents as mentioned in Para 31(b) of this Chapter. Other copies of LCAF are to be disposed of as per instructions of IPO in force.

15. Remittance against goods imported under penalty

An AD may not make remittance for the payment of goods if the exchange monitoring copy of a valid LCAF is not produced even though the goods may have been cleared by the Customs. Goods imported in an unauthorised manner are liable to be confiscated by the Government. All applications for remittances of foreign exchange covering such imports should be submitted to Bangladesh Bank for prior approval and should be accompanied by the attested copy of the Customs Bill of Entry for consumption in Bangladesh, the relative penalty order together with full particulars of the circumstances under which the goods were imported without the requisite LCAF.

16. Imports on FOB basis

In case of import on FOB basis, the AD banks may at the request of their importer clients make payments of freight/transportation charges in Taka or in equivalent foreign exchange to shipping companies/airlines/eligible licenced freight forwarders, out of the total value of LCAF issued for the import covering costs of goods and transportation charges. The receipts in foreign exchange will be used through foreign currency accounts maintained by the shipping companies /airlines/eligible licenced freight forwarders as mentioned in Para 1(ix), Chapter 10 & Para 33, Chapter 13. In case of FOB imports the AD should endorse, beside FOB value, the transportation charges payable in foreign currency and in equivalent Taka as indicated in the bill of lading etc. along with miscellaneous charges, if any as mentioned in para 7 of this chapter, as indicated in the airway bill. The ADs should also issue a certificate to the importers in the form given in Appendix-5/13 to the effect that the amount of transportation charges etc. have been endorsed on the relative LCAF. The issue of this certificate is essential as the shipping companies/airlines etc. are under instructions not to accept payment of freight in Taka or FC unless the above mentioned

certificate is produced to them. Moreover, ADs shall not deposit the amount in their FC accounts designated for outward payment on account of surplus earnings/foreign liabilities without producing this certificate. However, payment of transportation charges against FOB import through chartered ship is subject to compliance of relevant instructions mentioned in Para 12, Chapter 10. In cases where the FOB value and the amount of transportation charges payable in Taka or FC exceeds the value of the LCAF, the application should be referred to the Bangladesh Bank for consideration with full particulars and supporting documentary evidence.

17. Import against LCAF without opening LC

Selected items as mentioned in the IPO in force may be imported against registered LCAFs without opening LC. In such cases, the ADs shall stamp 'Import without LC' on the upper right corner of the LCAFs. LCAFs so stamped and form (as per appendix-5/14) duly filled in must be registered by the issuing bank itself. ADs shall ensure that the import does not exceed prescribed limit for import without LCs as mentioned in the IPO. In all such cases contract information shall be reported to the 'Online Import Monitoring System'.