

## SECTION - II

## LETTERS OF CREDIT AND REMITTANCES AGAINST IMPORTS

**20.** The ADs may not issue, advise, notify or confirm any LC, authority to purchase, guarantee or similar undertaking covering imports into Bangladesh the implementation of which would involve a payment in Taka to a non resident account or a payment in foreign currency except in accordance with the instructions prescribed hereunder.

LC covering  
imports

The AD should establish LCs against specific authorisation only on behalf of their own customers who maintain accounts with them and are known to be participating in the trade. Payments in retirement of the bills drawn under LCs must be received by the ADs by debit to the account of the concerned customer or by means of a crossed cheque drawn on the drawee's other bank. These restrictions shall not apply to import of articles for the private use of the importer as permitted in the Import Policy Order.

Terms on which  
LCs may be  
opened

**21.** (i) All LCs and similar undertakings covering imports into Bangladesh must be documentary LCs and should provide for payment to be made against full sets of onboard (shipped) bills of lading, air way bill, railway receipts, truck receipts, post/courier parcel receipts showing despatch of goods covered by the credit to a destination in Bangladesh. All LCs must specify submission of signed invoices and certificates of origin. If any particular LCAF requires submission of any other document or the remittance of exchange at certain periodical intervals or in any other manner, the LC should incorporate those instructions of the LCAF. Besides, following instructions are to be followed by ADs while importing through land ports:

(a) only one port of entry ( land port) is to be mentioned specifically in the letter of credit/purchase contract ( as the case may be);

(b) ADs shall have to send copies of letter of credit and subsequent amendment(s) if any, including other relevant information to the land port authority;

(c) specimen signatures of the officials working in the import-export desks of the concerned Authorised Dealer bank, contact phone and fax nos. of the ADs are to be sent to all the land ports; □

(d) ADs, through their agents or representatives shall collect certified invoice & bill of entry evidencing entry of goods into Bangladesh from the concerned land ports; □

(e) letters of credit/purchase contracts shall contain inter alia the following payment terms instead of reimbursement authority/debit authority:

"Upon receipt of documents complying with credit terms, we shall effect payment as per instructions of Negotiating Bank/Collecting Bank".

(f) LC covering value more than USD 5000 or equivalent should be sent through SWIFT or other similar arrangements to the advising bank;

(g) NOC(if any) shall contain name of the officials along with P.A. nos. and official seal.

(ii) It is not permissible to open clean or revolving letter of credits or LC with realisation clause (except EPZ companies). Applications for opening such LCs should be referred to the Bangladesh Bank with full particulars.

(iii) The ADs may open transferable LCs for imports into Bangladesh under cash LCAF without reference to the Bangladesh Bank. They may also allow without reference to the Bangladesh Bank amendments that do not violate foreign exchange regulations and IPO in force.

(iv) It is not permissible to open import LCs in favour of beneficiaries in countries from which import into Bangladesh are banned by the competent authority.

**22.** LC covering import of goods into Bangladesh against valid LCAF should be opened within the period, if any, prescribed in the current IPO.

**23. (a)** The AD should, before opening an LC, see documentary evidence that a firm order for the goods to be imported has been placed and accepted. The AD should ensure while opening an LC that full description of the goods to be imported are given in each Credit alongwith the unit price of the merchandise.

Period for which LCs may be opened

(b) The ADs should also obtain confidential report on the exporters from their branches or correspondents abroad or in their discretion, satisfy themselves as to the standing of the exporter by consulting standard books of reference issued by international credit agencies of international standing such as Seyds, Dunn and Bradstreet in all cases where the amount of the LC/Contract exceeds BDT 5 lac against proforma invoices issued direct by foreign suppliers and BDT 10 lac against indents issued by local agents of the suppliers. Such reports should be obtained by the ADs themselves and the reports if submitted by the importers should not be accepted. The ADs may also, at their discretion and in their own interest, verify the standing of the beneficiaries even in cases where the value of the credit is lower than the limits mentioned above. Credit report may remain valid for a period of maximum twelve months from the date of issuance if no adverse report comes to the notice of the AD. Moreover, credit report of the same supplier collected for one importer may be used for other importers within the same validity. □

LCs to be opened only against firm contracts

Credit report of the foreign suppliers

**24.** LC may be established providing for payment to the country of origin of goods or any other country except those countries imports from which are prohibited. The LC may provide for payment or reimbursement in any freely convertible foreign currency, in the currency of the country of the beneficiary or of the country of origin/shipment of goods, or by way of credit to the non resident

Approved methods of payment

Taka account of the concerned bank abroad. Payments for imports under barter agreements or under foreign Loans/Grants can be made only in the manner specified for the concerned barter/loan/grant.

Applications  
for remittances  
against imports

**25.** An AD may approve on behalf of Bangladesh Bank remittance against imports into Bangladesh provided the conditions set out in section-I and elsewhere in this chapter are complied with and provided also that the documents covering the import, whether under LC or otherwise, are received through the AD concerned. In case of import by post/courier, the ADs may make remittance without prior approval of the Bangladesh Bank only if the parcel is addressed directly to the AD. Where the parcel is addressed to an individual care of the AD/ to the individual direct, prior approval of Bangladesh Bank should be applied for, in the manner laid down in para 28 below.

Remittance  
against  
discrepant  
documents/  
documents  
received  
directly by the  
importers

**26.** ADs may allow remittance against discrepant documents /documents received directly by the importers after the goods have been cleared from the customs, on the basis of the relative LCAF, the authenticated copy of the customs bill of entry for consumption or customs certified invoice in the case of import by post/courier and the relative invoices.

Advance  
remittance  
against imports

**27.** (i) Advance remittance for permissible imports of goods and services into Bangladesh may be effected by the Authorised Dealers without prior approval of the Bangladesh Bank, against applications from the importers submitted with signed undertaking in the format of Appendix 5/10 provided that:

a) the purchase contract with supplier specifically requires advance payment;

b) the supplier furnishes repayment guarantee acceptable to the Authorised Dealer from a bank abroad, to be invoked for refund of the amount paid in advance in the event of the supplier's default in delivering the goods or services as per contract. Such guarantee need not however be insisted upon in cases of advance payments up to USD2500 for import of books, journals or life savings medicines.

(ii) Requests for advance remittance where the suppliers are unwilling or unable to furnish the repayment bank guarantee referred to at para 27(i)(b) may be forwarded by the Authorised Dealers, along with their recommendations, for specific decision of Foreign Exchange Policy Department, Bangladesh Bank on merit of each case.

(iii) Authorised Dealers shall report to the Bangladesh Bank the cases where the goods/services against advance payments are not received in Bangladesh within due time.

In addition to usual reporting to Bangladesh Bank, ADs within one week of advance remittance, shall submit attested copies of (i) undertaking (as per Appendix 5/10) (ii) repayment bank guarantee provided by bank abroad (iii) credit report of the guarantee providing bank abroad to the Foreign Exchange Policy Department, Bangladesh Bank, Head Office mentioning the probable date of import of goods/services. However, advance payment for import from ERQ account may be done as per instruction mentioned in chapter 13, section -IV of this guidelines.

**28.(a)** All applications for payments against imports into Bangladesh (including imports from EPZs) should be made on IMP forms (See Appendix 5/11). The IMP forms must be submitted in duplicate by the importer or his duly authorised agent. In cases where empowered to approve the remittances on behalf of the Bangladesh Bank, the AD shall endorse its approval on the reverse of the IMP form in the space provided for the purpose. In other cases, the AD shall submit the IMP form together with required supporting documents to the Bangladesh Bank for approval.

(b) The AD should mark with a bold letter "G" the IMP form for remittance against an import in the name of a government department or office for which LCs are opened by the AD. In other cases, where LCAFs are issued to private parties and are marked "On Government Account", the IMP forms should be similarly marked with bold "G".

**29.** In all cases of remittances for imports into Bangladesh, the importer must submit within 4 months from the dates of remittances the relevant authenticated copy of the customs bill of entry. In case of import by post/courier, the importer must submit the invoice certified by the customs authorities in lieu of the authenticated copy of the bill of entry. Where the value of an import by post/courier is less than £ 5 or its equivalent in other foreign currency, the customs authorities will issue a certificate instead of certifying the invoices. In such cases, the certificate may be submitted in place of the certified invoices.

**30.** The Bangladesh Bank is prepared to consider applications for extension of the time limit beyond 4 months in cases of genuine difficulties, such as delay in the arrival of the ship or difficulties in clearing the goods already landed at a port in Bangladesh etc.

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Forms on which applications for remittances should be made

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Indication on IMP form for Government Imports

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Submission of the authenticated copies of 'Bill of Entry' and 'Certified Invoices'

Extension of time limit for submission of bill of entry etc.

Disposal of  
IMP Forms

**31.** (a) The ADs will obtain invoice, in duplicate, both of which will be certified by them as usual. After recording in the IMP form the particulars of the remittance effected, the original IMP form along with a copy of the customs certified invoice shall be forwarded to the Bangladesh Bank with the usual monthly returns.

(b) The duplicate copy of IMP form will be retained by the AD. Subsequently when the authenticated copy of the bill of entry/customs certified invoice is submitted by the importer, the particulars therein should be matched and checked with those in the IMP form and invoice filed earlier, to see if the merchandise for which remittance was made has been duly received in Bangladesh. If no material discrepancy is detected, the case should be considered closed, with the duplicate IMP form, invoice and custom bill of entry/custom certified invoice filed together for eventual inspection and disposal instruction from inspection team of Bangladesh Bank.

(c) Cases with material discrepancy between the particulars of merchandise for which remittance was made and the merchandise actually received as evidenced by the authenticated copy of bill of entry/customs certified invoice, and cases of non submission of bill of entry/customs certified invoice within four month of remittance should be reported quarterly to the area office of Bangladesh Bank, in proforma as given at Appendices 5/12 and 5/13, by 15th day of the month following the quarters ending March, June, September and December. The ADs should also follow up with the importers the cases of material discrepancies and of non submission of bills of entry/ customs certified invoices within due time. Importer who has failed to submit bill of entry/certified invoice against any earlier remittance for import within the stipulated time ( or within the extended period allowed by Bangladesh Bank ) will be barred from opening new letter of credit without prior permission of Bangladesh Bank. Bangladesh Bank may instruct AD to abstain from opening new LC in favor of those in whose cases major discrepancy between the description, quantity etc. of goods stated in Bill of Entry/customs certified invoice and the same declared on the eve of remittances of value thereof is detected by the Bangladesh Bank from the quarterly statement of the AD concerned.

(d) In respect of all imports in the public sector the forms should be kept in separate importer-wise folders till final disposal.

Loss of goods

**32.** In the event goods are completely lost, duplicate copy of the IMP form should be forwarded to the Bangladesh Bank giving full particulars of the loss and the manner in which the insurance claim has been collected. In the event of partial loss, the authenticated copy of the customs bill of entry for the goods actually cleared should be submitted giving full particulars of the loss and the manner in which the insurance claim has been collected.

**33. (a)** Subject to compliance with other conditions laid down in this chapter and in the current IPO, import LCs may be opened on deferred payment/usance basis in the following cases:

LCs on  
deferred  
payment  
basis

- i) Import of capital machinery on upto 360 days usance basis;
- ii) Industrial raw material imports for own use of industrial importers (including back to back imports discussed in detail in the next section) on upto 180 days usance basis;
- iii) Import of coastal vessels including oil tankers and ocean going vessels including those procured for scrapping on upto 360 days usance basis;
- iv) Import of agricultural implements and chemical fertilizers on upto 180 days basis;
- v) Import of life saving drugs (certified/declared as such by Drugs Administration Authority) on upto 90 days usance basis.

For such deferred payment imports, the prices must be internationally competitive and usance interest, if any, should not be at rate higher than the LIBOR for the relative period or the equivalent rate prevailing in the currency of the country of the supplier.

**(b)** Instructions regarding opening of import LCs on longer usance terms against supplier's credits obtainable by industrial enterprises in the private sector as per general or specific BOI approval are contained in chapter 15 of this Guidelines.

**34.** ADs shall make payment of import liabilities as per LC/ contracts (both local and foreign) on maturity. Failure in settlement of import liability as per credit/contract terms may result in punitive actions including revocation of AD licence by Bangladesh Bank.

Payment of  
import  
liability