Foreign Exchange Policy Department-1
Bangladesh Bank
Head Office
Dhaka
www.bb.org.bd

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All Authorized Dealers in
Foreign exchange in Bangladesh

Issuance of bank guarantees/SBLCs on behalf of resident entities in favor of local project authorities

Please refer to paragraph 13 of FE Circular No. 34, dated September 02, 2025 regarding issuance of guarantees in favor of local project authorities on behalf of residents.

2. It has been observed that foreign companies awarded contracts/work orders under international tenders for projects in Bangladesh may require bid bonds, performance guarantees or standby letters of credit (SBLCs) in favor of relevant Government authorities, departments, agencies, state-owned enterprises, project/procurement entities or other duly authorized entities.

3. To facilitate participation of foreign companies in such projects and to enable resident entities acting as strategic partners, local agents or authorized representatives to arrange the required guarantees/SBLCs, it has been decided that Authorized Dealers (ADs) may issue guarantees/SBLCs in foreign currency on behalf of resident entities in favor of relevant project authorities/procuring entities against contracts/work orders awarded to foreign companies through international tenders, subject to the following conditions:

(a) The underlying contractual arrangements shall permit acceptance of such guarantees/SBLCs by relevant project authorities/procuring entities.
(b) Resident entities shall have bonafide contractual/commercial relationships with foreign awardees, supported by documentary evidences.
(c) ADs shall ensure that the exposure arising from issuance of guarantee/SBLC is appropriately covered by collateral/counter-security, commensurate with the nature and extent of the exposure, based on the banker-customer relationship and underlying contractual arrangements.
(d) The underlying contractual arrangements shall provide for appropriate reimbursement and compensation to resident entities for costs, liabilities and expenses arising from the guarantee/SBLC, including the manner in which any amount payable upon its invocation shall be settled by the foreign company.

4. ADs shall undertake issuance of such guarantees/SBLCs in accordance with their applicable credit norms, risk management policies and prudential parameters, including the prescribed single borrower exposure limit and obtaining approval of the Board of Directors or competent authority, as applicable.

5. Claims, in the event of invocation, shall ordinarily be settled in Taka equivalent. Where the relevant tender/contract documents specifically require settlement in foreign currency, ADs may settle the claim in foreign currency through the RTGS system.

Please bring the contents of this circular to the notice of your respective constituents.

Faithfully yours,

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