

Foreign Exchange Policy Department
Bangladesh Bank
Head Office
Dhaka.

Web site: www.bangladeshbank.org.bd

FE Circular No. 25

Date: December 22, 2009

All Authorized Dealers of
Foreign Exchange in Bangladesh

Dear Sirs,

Master Circular on Export Development Fund (EDF)

Export Development Fund (EDF) was created in 1988. The Operational Procedure of the Fund was detailed vide BCD Circular No. 29, dated December 07, 1988. Since then a number of circulars were issued amending the said operational procedure. For ease and strict compliance of Authorized Dealer (AD) banks, the operational procedure effecting some changes as to size, interest rate and scope of the Fund is attached hereto.

Please acknowledge receipt and bring the contents of this circular to the notice of all concerned.

Yours faithfully,

[Encl. 5 \(five\) pages](#)

(Khandaker Abdus Salim)
Deputy General Manager
Phone: 7120375

The Export Development Fund (EDF) at Bangladesh Bank (BB), its operational procedure:

01. The EDF and its objective: Established in 1989, the EDF is intended to facilitate access to financing in foreign exchange for input procurements by manufacturer-exporters. Authorized Dealer (AD) banks can borrow US Dollar funds from the EDF against their foreign currency loans to manufacturer-exporters for input procurements. At their option the ADs can also lend to some extent from their own foreign exchange funds for input procurements (up to fifty percent of NFCD balances, cf., para 20, chapter 13, GFET 2009).

USD 300 million in size as of now, the EDF is held and managed by the Foreign Exchange Reserve and Treasury Management Department (FRTMD) at the head office of BB. Borrowing by ADs from the EDF and repayments thereof are handled through head offices/principal offices of the AD banks concerned.

02. Interest rate on borrowings from EDF: On the loan disbursements in USD to AD banks up to 31st December 2009, interest is charged by EDF @ six-month USD LIBOR, with the ADs charging interest @ six-month LIBOR+1 percent from the manufacturer-exporter clients borrowing for input imports.

From 1st January 2010 onwards, EDF loan disbursements to ADs in USD will be charged interest @ six-month USD LIBOR+1 percent, with the ADs charging @ six-month LIBOR +2.5 percent on their USD loan disbursements to manufacturer-exporters.

03. Tenor of EDF loans: EDF loans from BB are repayable by the ADs upon receipt of proceeds of the relative exports (except in case of loans for bulk import of cotton and other textile fibre by BTMA member mills against past export performance); in all cases within 180 days from dates of disbursement, extendable by BB up to 270 days upon application to BB explaining the necessity of longer period for repatriation of export proceeds.

04. Eligibility for EDF loans: i) Input imports by manufacturer-exporters against which an AD seeks EDF loan must be in full compliance with the value addition criterion and other requirements of the government's Import Policy Order (IPO) in force; and of foreign exchange regulations and instructions laid down in the GFET 2009 and subsequent circulars of BB.

ii) Input imports of a manufacturer-exporter defaulting in repatriation of export proceeds within the statutory period (within 120 days from date of shipment, or such extension as permitted by BB) will not be eligible for financing from the EDF besides other usual regulatory penalties.

iii) The loans to manufacturer-exporters to be eligible for EDF financing must be within the single borrower exposure limit prescribed by BB.

iv) EDF financing will be admissible for input procurements against back to back import LCs/inland back to back LCs in foreign exchange; by manufacturers producing final output for direct export, and also by producers of local deliveries of intermediate outputs to manufacturers of the final export.

05. Amounts of EDF loans: a) For manufacturer exporters other than BTMA mills producing yarn, an EDF loan to an AD shall not exceed i) the limit of input imports permissible against an export LC/firm export contract/inland back to back LC in terms of the value addition requirements prescribed in the IPO in force, or ii) USD 10 million, whichever is lower.

b) For BTMA mills making bulk import of raw cotton or other fibres against deemed exports (local deliveries of yarn to manufacturer-exporters against inland back to back LCs in foreign exchange), an EDF loan to an AD shall not exceed i) the amount in foreign exchange realized against inland back to back LCs over the past twelve months, or ii) USD 10 million, whichever is lower.

06. Procedure of application for EDF loans from BB: Head offices/principal offices of AD banks shall submit to FRTMD, BB duly filled in application in Form-A (at Annexure-I) listing the input procurements financed by them in foreign exchange, against which they are seeking the EDF loans. The application, signed by two appropriately empowered officials will also authorize BB to realize the principal and accrued interest on the EDF loans to the ADs immediately upon expiry of the permissible periods of the loans by debit to the FC clearing accounts of the concerned ADs with BB; unless repaid by them earlier. Repayment advices of the ADs should be accompanied by calculation worksheets in Form-B (Annexure-II). Monthly statements detailing the outstanding USD loans of ADs to customers against which EDF financing have been drawn should be submitted in Form-C (Annexure-III) by head offices/principal offices of the AD banks by the second week of the following month.

Annexure-I
Form-A

(Letter head of AD bank)

Ref:

Date:

General Manager
Forex Reserve and Treasury
Management Department
EDF Section
Bangladesh Bank
Head Office
Dhaka.

Dear Sir,

Application for Loan under EDF

In accordance with the procedure set out in Master Circular on Export Development Fund dated December 22, 2009, we hereby apply for the loans from Bangladesh Bank against the advances made by us in foreign currency under the following letters of credit:

Sl. No.	Name of the direct/ deemed exporter borrowing from the AD	Import LC/inland back to back LC No. & date	Amount in USD	Date of negotiation by raising USD loan in the name of the borrower
1	2	3	4	5

We confirm that the transactions are eligible for financing under EDF as per terms and conditions stipulated in the aforesaid circular and hold ourselves liable for any falsity or misstatement.

We would, therefore, request you to grant the loan and credit USD (in words) to our FC Clearing account maintained with you. We also hereby authorize you to debit our FC Clearing account with you in realization of principal and accrued interest due upon expiry of the permissible tenors of the loans, if not repaid earlier by us.

Yours faithfully,

Signature.....
Name:.....
Designation:.....
PA No.....

Signature.....
Name:.....
Designation:.....
PA No.....

Annexure-II
Form-B

Name of the Bank:

Address:

Calculation Worksheet of Repayment of EDF Loans

Sl. No.	Name of the direct/deemed exporter borrower	Date of raising the AD's USD loan on a/c of the direct/deemed exporter	Date of repatriation/ receipt of proceeds of direct/deemed export	EDF Loan to AD					Total interest in USD	Total amount in USD (Principal + Interest)
				Drawal date of EDF loan by AD	Loan amount in USD	Repayment date	Duration of the loan	Interest rate		
Total:					<u>USD.....</u>				<u>USD.....</u>	<u>USD.....</u>
									∴	∴

Signature:.....
 Name:.....
 Designation.....
 PA No.....
 Date:.....

**Annexure-III
Form-C**

Name of the Bank:
Address:

Monthly statement relating to outstanding USD loans to direct/deemed exporters against which EDF Loan has been drawn from BB
(As of end20....)

Sl. No.	Particulars of procurements by direct/deemed exporters against which USD loan was raised by AD				Particulars of LC/Contract for the final export				Particulars of inland back to back LC for deemed export				Amount and date of AD's loan to direct/deemed exporters	Amount and date of EDF loan to AD
	Import LC/ Inland back to back LC													
	No. & date	Value	Expiry Date	Name of input items imported/procured	Name of the direct exporter	No. & date	Value	Expiry date	Name of the deemed exporter	No. & date	Value	Expiry date		

Signature:.....
Name:.....
Designation.....
PA No.....
Date:.....