

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

FE Circular No. 02

Date: January 09, 2013

All Authorized Dealers of
Foreign Exchange in Bangladesh

Dear Sirs,

**Outward remittance of commission earnings of ‘foreign brokerage firm’
against service rendered to foreign portfolio investors in Bangladesh.**

Attention of the Authorized Dealers (ADs) is invited regarding repatriation of commission earnings of ‘foreign stock brokerage firms’ abroad against service rendered to foreign portfolio investors for investment in Bangladesh.

02. It has been observed that local stock brokerage firms may be involved on behalf of foreign stock brokerage firms (registered and operating abroad) to aid foreign portfolio investors for trading of securities through Non-resident Investors Taka Accounts(NITAs) in Bangladesh and earn commissions/service charges through dealings of securities of such foreign investors. Such commission earnings, etc. need to be shared between the brokerage firms in both ends.

03. In order to facilitate timely repatriation of share of commission earnings etc. of foreign stock brokerage firms from Bangladesh, it has been decided that local firms can remit such share of commission earnings to their foreign counterpart brokerage firms through authorised dealer banks without prior approval of Bangladesh Bank subject to observance of the following stipulations:

a. The local brokerage firm (agent) has to obtain permission from Foreign Exchange Investment Department, Bangladesh Bank, Head Office or from concerned Office of Bangladesh Bank to work on behalf of foreign brokerage firm (principal) under Section 18A of the Foreign Exchange Regulation Act, 1947. For obtaining such permission, local brokerage firm needs to apply to Bangladesh Bank (Foreign Exchange Investment Department, Bangladesh Bank, Head Office or concern Office of Bangladesh Bank) for necessary permission with documents/information as mentioned in [Annexure-FBC-1](#).

b. Only commission/service charge earned from trading of securities of the foreign investors through BO Account opened with the concerned brokerage firm and NITAs (opened with any AD) shall be considered for sharing with the foreign brokerage firm after deduction of taxes and other items (if any) for subsequent remittance to abroad in accordance with the agreement signed between the two parties.

- c. Local brokerage firm (agent) having permission from Bangladesh Bank under 18A of the FERA, 1947 shall request the AD for the purpose of remittance to foreign brokerage firm (principal) abroad. Commission/service charge payable to the foreign stock brokerage firm shall be determined on monthly basis by deducting from gross commissions/service charges (i) the local agent's commission/service charges, (ii) taxes payable on earnings/service charges as applicable and (iii) other expenses including audit fees as per statement in Annexure- FBC-2 in accordance with the agreement signed between the two parties. The statement must be certified by the auditor of the agent. Supporting documents should contain information relating to transaction volume against stock trading on behalf of non-resident portfolio investors, amount of commission/service charge earned and the amount payable to the principal on account of commission/service charge. Commission/service charge earned in one month may be remitted in any subsequent month.
- d. Applications to AD should be accompanied by invoices raised by the brokerage firm abroad for the claimed amount.
- e. Effecting remittance, the AD shall report the transaction alongwith TM form, [Annexure - FBC-2](#) and supporting documents with usual monthly returns to the Foreign Exchange Operation Department, Bangladesh Bank, Head Office/concerned Office of Bangladesh Bank following the month of remittance. Besides, consolidated information about remittance of commission earnings shall have to be reported to Foreign Exchange Investment Department, Head Office/ concerned Office of Bangladesh Bank on half yearly basis (Jan-June information to be submitted by next August and July-Dec information to be submitted by next February) in the format in [Annexure-FBC-3](#) for post facto checking.
- f. Local brokerage firms who have already earned such commissions through dealing of securities of foreign portfolio investors in collaboration with foreign brokerage firms may remit outstanding remittable commission of the previous months (calculated as per above instructions) after getting permission under 18A of the FERA, 1947 from Bangladesh Bank using one consolidated FBC-2.

Please bring these instructions to the notice of all concerned.

Yours faithfully,



(Mohammad Zakir Hossain Chowdhury)
Deputy General Manager
Phone: 9530250

Annexure: FBC-1
(FE Circular No. 02, dated 09 Jan, 2013).

1. Application of the local brokerage firm in the letter head pad addressing to the head of concerned department/office of the Bangladesh Bank;
 2. Form Annexure-II [Appendix 6/3, GFET 2009(Vol-1)] duly filled in;
 3. Agreement with foreign principal(s) specifying description of the services under the contract, calculation/ratio of sharing of commission etc. between the parties, charges(if any) to be deducted from the commission earnings, signing and expiry date of the agreement, termination of contract, renewal of the contract, etc.;
 4. Updated Trade License, membership license of the Central Depository, Bangladesh Ltd (CDBL), membership license of stock exchange(s), permission of the Bangladesh Securities and Exchange Commission to work as stock broker;
 5. Attested Copy of TIN;
 6. Bank Solvency Certificate;
 7. Partnership deed (for partnership firms);
 8. Certificate of Incorporation, Articles of Association, Memorandum of Association (for companies)
- VAT Registration Certificate (optional).

Name of the AD.....Bank.....Branch

Statement showing commission/service charges payable to foreign stock brokerage firm

(principal) abroad and settled thereagainst during the month of,20

Name of Local Brokerage Firm (Agent):

Name of Foreign Brokerage Firm(Principal):

Bangladesh Bank's Permission No....., Date:.....

Sl. No.	Name of Portfolio Investors	NITA No.	Bank Name and Branch	BO A/c No.	Gross commission / service charges earned	Distribution of commission earnings (Col 6)		Deductions from earnings of Principal (col 8)		Net Amount Remittable (BDT)
						Agent	Principal	Taxes	Others	
1	2	3	4	5	6	7	8	9	10	11 = 8-9-10
										BDT USD

Total										
12. Add: Outstanding as per last statement										
13. Net Amount remittable										
14. Less: Amount remitted during the month										
15. Net outstanding amount										
<p>We do hereby certify that the above information is correct. We also certify that taxes, VAT, etc. applicable to commission earnings have been deducted accordingly. We do hereby undertake that in the event of any excess amount of foreign exchange remitted to the foreign principal, the amount remitted as such in excess of the actual entitlement, will be repatriated/adjusted to Bangladesh immediately on demand by the Authorized Dealer/Bangladesh Bank or any other competent authority.</p>										
Signature with date and stamp of the authorized official of the local stock brokerage firm with full name and designation.					Signature with date and stamp of the authorized official of the AD bank with full name and designation.					

Encl. Attested copy of transaction statements of investors

Certificate from the Auditor

Certified that the particulars furnished above truly represent the status of remittable amount to principal abroad.

Place:

Signature :

Date:

Status :

Name of the audit firm :

Name of the AD.....Bank.....Branch

Half yearly consolidated statement showing commission/service charges payable to foreign stock brokerage firm (principal abroad) and settled thereagainst during the period of,

Name of Local Brokerage Firm (Agent):

Name of Foreign Brokerage Firm(Principal):

Bangladesh Bank's Permission No....., Date:.....

Particulars	Amount in BDT	Amount in USD
Share of commission earnings earned during the reporting period (Net as per summation of FBC-2 of the period)		
Add : Outstanding as per last statement		
Net amount remittable		
Less : Remittance effected during the reporting period (as per FBC-2)		
Net outstanding amount (as per last FBC-2)		

Signature with date and stamp of the authorized official of the local stock brokerage firm with full name, designation.	Signature with date and stamp of the authorized official of the AD bank with full name, designation.
---	--

Encl.: Copies of FBC-2 and TM Forms submitted during the period.