

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

FE Circular No.-02

Date: January 14, 2016

All Authorized Dealers of
Foreign Exchange in Bangladesh

Dear Sirs,

Green Transformation Fund for export oriented textile & textile products and leather manufacturing industries

Bangladesh Bank (BB) has established the Green Transformation Fund (GTF) to accelerate sustainable growth in export oriented textile and leather sectors conducive to transformation of green economy in the country. The loan from the GTF will be offered in US Dollars (USD) and provided to Authorized Dealers (ADs) for on-lending/re-financing to eligible borrowers. The operational procedures to avail financing facilities from this Fund are as follows:

1. Objective of the Fund: The GTF is intended to facilitate access to financing in foreign exchange by all manufacturer-exporters in export oriented textiles & textile products and leather manufacturing sectors to import capital machinery and accessories for implementing following green/environment-friendly initiatives:

- a) Water use efficiency in wet processing;
- b) Water conservation and management;
- c) Waste management;
- d) Resource efficiency and recycling;
- e) Renewable energy;
- f) Energy efficiency;
- g) Heat and temperature management;
- h) Air ventilation and circulation efficiency;
- i) Work environment improvement initiatives; and
- k) Other fields as identified by BB from time to time.

2. Size and management of the GTF: The GTF with revolving fund of USD 200 million in size will be managed by Forex Reserve and Treasury Management Department (FRTMD) at the head office of BB. Sustainable Finance Department (SFD) of BB will approve application of loan from ADs and monitor the utilization of the lending to the borrowers. In addition, SFD, jointly with other relevant departments of BB, will conduct on-site inspection of ADs and the borrowers to ensure the effective end-use of the financing.

3. Eligibility criteria for participating ADs: All ADs (representing their respective banks) may participate in the Fund provided that they fulfil the eligibility criteria for borrowing from the Fund and maintain the required standard level of operation for continuation during the

tenor. In order to become eligible to borrow from the Fund, banks of the participating ADs shall meet the following criteria:

- a) Banks shall have an acceptable level of non-performing loans of not more than 10 (ten) percent;
- b) No banks shall become eligible with shortfall in loan/investment provision, capital and liquidity.
- c) ADs shall have qualified and experienced management, adequate organizational and institutional capacity for comprehensive risk management;
- d) ADs shall have appropriate capacity for carrying out loan appraisal (including environmental & social assessment) with adequate and functional internal audits and controls.

4. Responsibilities of ADs in the lending process:

- a) ADs shall bear all risks associated with the financing;
- b) ADs shall maintain due diligence in selecting borrowers and conduct standard project appraisal process, subject to adherence to all applicable credit norms, prudential parameters including single borrower exposure limit. In addition, ADs shall conduct environment and social screening & assessment and ensure compliance of Environmental Risk Management (ERM) Guidelines of BB and applicable environmental instructions of other competent authorities;
- c) ADs shall not allow this facility to the enterprises owned by their Board Members;
- d) ADs shall observe instructions of Import Policy Order in force, and the Guidelines for Foreign Exchange Transactions-2009 and its subsequent circulars with regards to imports and payment thereof;
- e) ADs shall submit quarterly statements detailing the outstanding loans to borrowers under GTF financing as per Annexure-II to FRTMD with copy to SFD by the second week of the end of each quarter;
- f) ADs shall submit compliance report periodically to SFD on Environment & Social Safeguard Standard of the project in the format and manner as prescribed by BB.

5. Eligibility of loans from the Fund:

- a) The loans from the GTF will be used for payment of imports as per paragraph 1 above subject to compliance with applicable regulations.
- b) Eligible borrowers under specified sectors at paragraph 1 above will have access to Taka term financing from banking system as per foreign exchange regulations to avail the facility from the Fund.
- c) Loan defaulters in banking system/defaulters in realization of export proceeds within statutory period or such extension as permitted by BB will not be eligible for financing from the Fund.
- d) Re-financing from the Fund against loans disbursed before issuance of this circular will not be permissible.

6. Pricing and financing terms:

- a) **Pricing:** Interest shall be charged to ADs against the financing @ six-month USD LIBOR¹ plus 2.25 percent. ADs will determine their own loan interest rates to the borrowers covering their cost of borrowing from the Fund and operational expenses, plus a reasonable risk-adjusted spread and profit margin (typically expected to be in the range of 1.00 ~ 2.50 percent above the cost of borrowing).

The above pricing will be reviewed and adjusted every six month depending on market conditions.

¹ For Islamic Shariah based ADs, Islamic Interbank Benchmark Rate (IIBR) will be used instead of LIBOR.

- b) **Tenor of the loans:** The tenor of loan will be from 5 to 10 years with 1 year grace period. Interest accrued for the grace period will be repaid in equal quarterly repayment without compounding.
- c) **Amounts of the loans from the Fund:** Financing to an AD against their on-lending/re-financing to the borrower shall depend on the requirement of particular field.

7. Procedure of application for GTF loan from BB: Head office/principal office of ADs shall, in compliance with relevant instructions of this circular, submit loan application (as per Annexure-I) to SFD along with relevant documents of concerned eligible borrower. The application must be signed by Managing Director/Country Head and the loan proposal must be approved by Board of Directors/equivalent competent authority (in case of foreign banks). The application shall be supported by schedules of import payments. In case of application for re-financing, the application shall be supported by list of the procurements financed by AD. SFD will scrutinize the application and dispose of with decision. The decision will be communicated simultaneously to FRTMD and applicant AD. On receipt of approval from SFD, FRTMD will sanction the loan and disburse as per schedule by credit to FC clearing account of AD with BB.

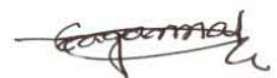
8. Guiding Principles of Green Transformation under this Fund: For endorsing the activities specified in paragraph 1 as 'green transformation', applicant banks will use the guidance note to be issued by SFD. Till the issuance of the guidance note, the decision regarding the transformation will be made by SFD.

8. Repayment:

- (a) A repayment schedule will be prepared by ADs within 7 working days from the first drawdown from the Fund and submit to FRTMD which will approve the same after necessary verification;
- (b) The repayment of the financing will start after a certain grace period and shall be repaid on quarterly installments. The grace period, not exceeding 1 year, will be determined by ADs based on the projected timeline of the cash flows of concerned projects.
- (c) ADs shall submit Promissory Notes (Annexure-III) along with the loan application. ADs shall also submit a debit authority to BB along with the application for realizing the due installments as per repayment schedule.
- (d) The due installments will be recovered from FC clearing accounts of ADs maintained with BB as per the repayment schedule. If adequate fund is not available in FC clearing account to recover the due installment, the equivalent Taka (at BB Selling Rate on that date) will be debited from the respective current account of ADs maintained with BB. In case of unavailability of funds in both accounts, BB will charge a penal interest on such dues at a rate 2% above the repo rate and will become payable on demand. BB will have the right to set off such overdue installment from any of the ADs' assets held in BB in its security depository in case of liquidation.

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

Yours faithfully,



(Jagannath Chandra Ghosh)
Deputy General Manager
Phone: 9530092

Loan Application for Financing Facility under the Green Transformation Fund

Summary Sheet

Amount of the proposed loan (in USD):

Tenor of the loan:

Proposed field:

Environmental risk category of the proposed field:

High Moderate Low

1. Is there any regulatory restriction on AD to extend credit operation?
 Yes No
2. Is the borrower's current exposure within single borrower exposure limit?
 Yes No
3. Will the borrower remain within the single borrower exposure limit after disbursing the proposed loan?
 Yes No
4. Loan proposal approved by:
 Board Credit Committee Managing Director Other
If other, please specify:
5. Is the CIB verification done?
 Yes No
6. Is the borrower defaulter?
 Yes No
7. Is the borrower defaulter in realization of export proceeds within the stipulated period?
 Yes No
8. Are disbursement schedule and amortization schedule attached?
 Yes No

Applying AD :

Contact person name :

E-mail :

Telephone No. :

Type of field :

Nature of industry :

Name of firm :

Address of the firm :

Firm representative :

Representative's contact number :

Brief description of field :

Schedule of implementation :

Attachment detail:

1.
2.
3.
4.
5.
6.
7.

PROMISSORY NOTE

(to be on letter head pad)

Principal Amount:

Interest Rate:

Date of Note:

PROMISE TO PAY. _____ (AD) promises to pay to _____ (BANGLADESH BANK), or order, in lawful money of the People's Republic of Bangladesh, the principal amount of US Dollar _____ in figure (US Dollar _____ in words), together with interest on the unpaid principal balance/outstanding amount from _____, until paid in full.

PAYMENT. [AD] will pay this loan in ___ payments of US Dollar _____ each payment. AD's first payment is due on _____, and all subsequent payments are due on the same day of each _____ after that. AD's final payment will be due on _____, and will be for all principal and all accrued interest not yet paid. Payments include principal and interest. Interest on this Note is computed on a 365/365 simple/compound interest basis; that is, by applying the ratio of the annual interest rate over the number of days in a year (366 during leap years), multiplied by the outstanding principal balance, multiplied by the actual number of days the principal balance is outstanding. AD will pay FRTMD /BANGLADESH BANK at FRTMD/BANGLADESH BANK's address shown above or at such other place as FRTMD /BANGLADESH BANK may designate in writing. Unless otherwise agreed or required by applicable law, payments will be applied first to accrued unpaid interest, then to principal, and any remaining amount to any unpaid collection costs and late charges.

INTEREST RATE. The interest rate on this Note is _____

PRIOR TO SIGNING THIS NOTE, AD READ AND UNDERSTOOD ALL THE PROVISIONS OF THIS NOTE. AD AGREES TO THE TERMS OF THE NOTE AND ACKNOWLEDGES RECEIPT OF A COMPLETED COPY OF THE NOTE.

Name of the field:

| | |
|----------------------------------|--|
| Name of AD | |
| Signature | |
| Authorized Signatory(ies) | |
| Title(s) | |
| Witness(es) | |
| Date Signed | |