

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

FE Circular No. 06

Date: January 14, 2025

All Authorized Dealers in
Foreign Exchange in Bangladesh

Dear Sirs,

Inland letters of credit (LCs) in foreign currencies– simplification of operational modalities

Authorized Dealers (ADs) are permitted to establish inland back to back LCs and other admissible LCs in foreign currencies in terms of chapter 7 of the Guidelines for Foreign Exchange Transactions-2018, Vol-1 (GFET) and other relevant circulars. Operations of inland LCs in foreign currencies are guided by UCP in force and other international standards, including regulatory instructions issued from time to time by Bangladesh Bank.

02. It is observed that permissible domestic trade in foreign currencies faces bottlenecks due to various clauses embedded in LCs. These clauses are often difficult to be met within the validity of LCs. Examples include requirements of delivery challans to be signed by top officials of LC applicants, acceptance of documents by applicants before these are submitted to beneficiaries' ADs, etc. Domestic sellers frequently encounter financial difficulties due to prolonged processing time. Despite the significant volume of transactions, domestic trade activities, including financing by ADs, remain sluggish and lack vibrancy.

03. To bring ease in domestic trade, ADs are advised to establish operational modalities that can simplify domestic trade transactions in foreign currencies. In addition, ADs need to observe following instructions:

For LC issuing ADs:

(a) ADs shall avoid to incorporate conditions in LCs which cannot be maintained during the validity of respective LCs.

(b) In case of unusual conditions to be imposed by LC applicants, ADs shall examine if such items are available in purchases or sales contracts/proforma invoices.

(c) On receipt of documents for payment/acceptance, ADs shall conduct usual formalities for examining them, and making payments or acceptance, whichever is required; in no way, they shall forward the same documents to LC applicants for examination and their acceptance.

For LC advising/nominated ADs:

(a) ADs should examine clauses contained in respective LCs received from LC issuing banks and advise the same to beneficiaries.

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(b) On receipt of documents from beneficiaries, ADs shall examine the documents and forward the same for payment/collection to LC issuing ADs.

04. Transactional framework for inland trade need to be brought under electronic platform. Accordingly, ADs should introduce electronic options with regard to communication relating to LCs such as transmission, advising, presentation, acceptances and all subsequent communication under mutually agreed systems with counterparts. ADs shall have safe and secure electronic systems, duly approved by the Board of Directors (competent management team in case of foreign banks), compliant with the Guideline on ICT Security in force.

05. ADs shall report the information including acceptances to Bangladesh Bank online reporting system in accordance with reporting routine, inter alia.

You are advised to bring the above instructions to the notice of your all AD branches and central processing center for their meticulous compliance.

Yours faithfully,



(Md. Harun-Ar-Rashid)

Director (FEPD)

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