

FE Circular No. 25

Date: July 13, 2021

All Authorized Dealers in
Foreign Exchange in Bangladesh

Dear Sirs,

Export trade transactions, appropriate safeguards

Please refer to paragraph 1, chapter 4 of the Guidelines for Foreign Exchange Transactions-2018, Vol-1 (GFET) and its subsequent circulars in terms of which Authorized Dealers (ADs) are permitted to maintain accounts in freely convertible currencies with their correspondents/branches abroad. The paragraph requires ADs to comply with AML/CFT regulations for maintaining relationship, opening of nostro accounts and transactions with correspondents. In addition, different regulatory instructions are in place for containment of risk factors against cross border transactions such as:

(a) Procedures are contained in 'Core Risk Management in Banking: Foreign Exchange Risk Management' to maintain cross border correspondent banking relationship including observance of applicable extended due diligence and restriction to maintain any correspondent relationship with shell banks, inter alia.

(b) Circular No. 26 issued by Bangladesh Financial Intelligence Unit (BFIU) on June 16, 2020 including its subsequent circulars outlines instructions to be followed regarding selection of customers and establishment of correspondent relations with banks abroad, inter alia. The instructions contained therein restrict to establish and conduct transactions with shell banks.

(c) Preventive measures are available in Guidelines for Prevention of Trade Based Money Laundering issued by BFIU; etc.

2. To ensure safeguards in export trade, ADs need to observe appropriate measures before execution of transactions as noted here under:

(a) ADs shall facilitate export transactions under letters of credit (LCs) routed through authenticated channels from banks with whom appropriate relations are in place.

(b) ADs shall, in addition to be ensured of apparent authenticity of LCs, satisfy themselves of bonafide of applicant banks/issuing banks in case of LCs received through authenticated channels from third banks. In this case, ADs need to be ensured that applicant banks/issuing banks will receive export documents directly from them or through third banks/other authenticated banks with whom respective ADs maintain appropriate relationship.

(c) In case of transferred LCs, ADs shall satisfy themselves of bonafide of first beneficiary and transferring bank in addition to the LC applicant banks/issuing banks.

(d) ADs shall satisfy bonafide of importers abroad as per paragraph 7(iv), chapter 8 of GFET.

(e) ADs shall conduct due diligence on importers' banks designated for the transactions under sales contracts for being ensured of their step by step responsibilities regarding release of export documents by designated banks to importers and procedural arrangement of payment as per GFET including its subsequent circulars and relevant provisions of the Uniform Rules for Collection (URC) in force. In this case, ADs need to be ensured that importer's banks will receive export documents directly from them or through third banks/other authenticated banks with whom respective ADs maintain appropriate relationship.

(f) ADs shall adopt other measures as deemed necessary.

03. In case of any difficulties in execution of the instructions mentioned above, and/or any doubt regarding the transactions, ADs shall guide exporters so that they can take appropriate measures for execution of the transactions, such as:

(a) to change designated banks of importers acceptable to ADs.

(b) to bring the transactions under external payment guarantees as per FE Circular No. 25 of June 30, 2020.

(c) to make other suitable arrangements.

Please bring the above instructions to the notice of all concerned constituents.

Yours faithfully,



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