External Sector

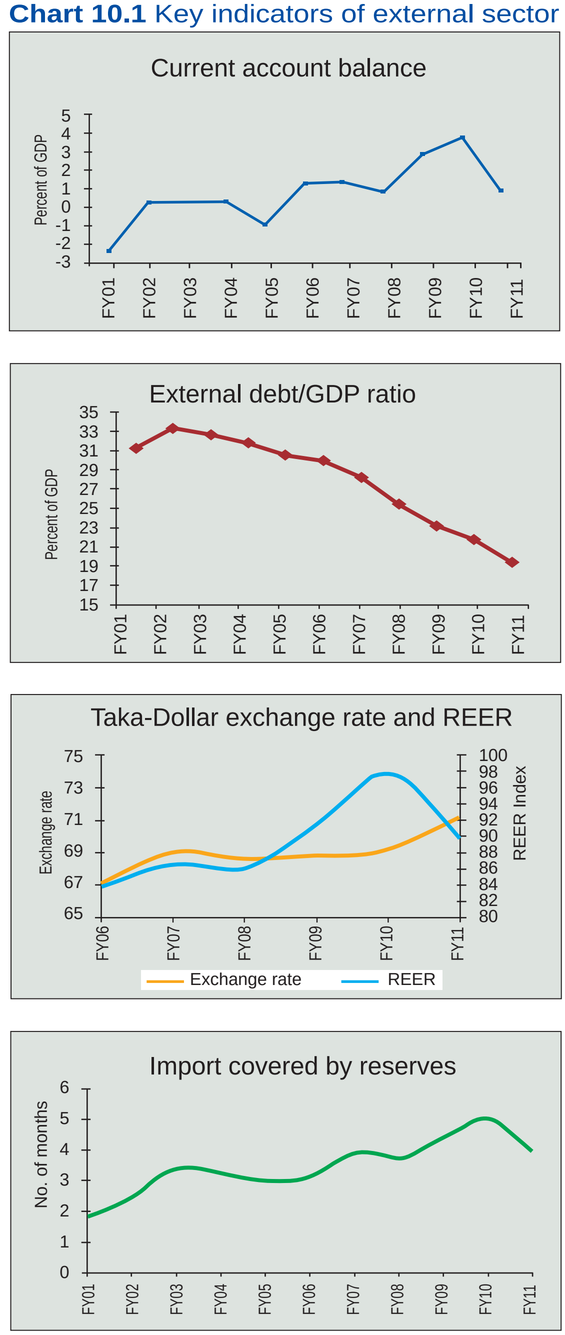
International Economic Environment

10.1 The year 2010 saw a continuation in global economic recovery albeit at an uneven pace, after exiting from the sharpest economic contraction in the second half of 2009. Global growth was led by strong economic activity in the emerging market economies, while the developed economies continued to face crisis-induced and structural issues. The west including mostly the trading partner countries of Bangladesh (US and the Euro area) has already been facing an era of austerity because of the need for people and firms to reduce their debt. That austerity may be made even worse if governments now embark upon fiscal tightening at a time when the private sector demand is sluggish.

External Trade and the Balance of Payments - the Overall Situation

10.2 The overall performance of the external sector remained somewhat resilient underpinned by a nominal current account surplus during FY11. Despite the domestic and international inflationary pressure and ongoing spill over effects of the turbulent external economic conditions as well as the global liquidity crunch, Bangladesh has been maintaining export competitiveness in her major export products. Output and investment activities in the economy paced up in FY11 rather faster than anticipated, particularly in the second half as power supply shortages started easing and also aided by substantially higher external demand of our low value RMG products as well as robust domestic demand.

Chart 10.1 Key indicators of external sector



Both exports and imports maintained growth rates above forty percent, far exceeding the initial projections of 9.7 and 17.5 percent respectively, with attendant high demand for trade financing. Imports remained output and growth oriented in FY11; only about one seventh of total imports were of food grains and other consumption goods, the remainder being fuel oil, production inputs and capital goods. Trade deficit kept widening despite strong export growth from a lower base. Remittance inflows from workers abroad that more than made up for trade deficits in recent years decelerated faster than expected in FY11, remained near zero or even negative in early months but recovered later to modest 6.0 percent annual growth for FY11 against initial projection of 17.6 percent. Despite strong inflows of foreign exchange through higher export receipts and remittance inflows Bangladesh economy could not even pace up with higher import payments. The resultant depletion in current account surplus created depreciation pressure on Taka, in reversal of preceding year's trend. This was compounded further by weakness in net capital account inflows, due to sharp decline in government's net external borrowings and to the private sector's tendency of leaning heavily on domestic savings for financing investments rather than at least partly accessing foreign debt or equity for this purpose. Trends of some major external sector indicators may be seen in Chart 10.1.

10.3 The nominal current account surplus and the higher financial outflows led the Balance of Payments (BoP) to a record deficit of USD 925.0 million in FY11 as the growth of imports outpaced exports. Trade activity recovered during the year as global economic condition improved. Nonetheless, the acceleration of domestic demand has provided an impetus for the strong growth in gross imports, which outpaced the growth in gross exports, leading to a higher trade deficit. To strengthen BoP in the medium to long term, non-debt creating and long term financial flows such as FDI need to be encouraged. Towards this end, progressive measures have already been taken to promote financial openness and enhance the investment climate.

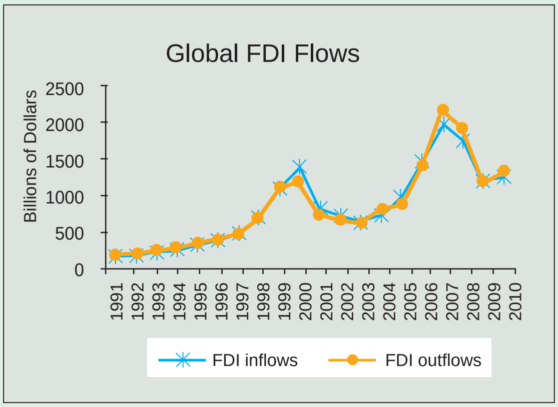
10.4 Merchandise exports (fob) increased by USD 6775.0 million (or 41.7 percent) in FY11 to USD 23008.0 million. Though tea, terry towel and petroleum by-product which recorded negative growth of about 43.4 percent, 23.5 percent and 13.4 percent respectively, all other major exportable items increased significantly. A substantial growth of export of Raw jute (82.0 percent), Knitwear (46.3 percent), Footwear (45.9 percent), Woven garments (40.2 percent), Jute goods (28.1 percent) and Leather (31.7 percent) contributed to increase substantially the growth of merchandise exports in FY11 over FY10. The export of miscellaneous products, subsumed under the "others" category showed a positive growth of 54.7 percent in value terms during FY11. However, as a percentage of GDP, exports increased by 4.6 percentage point from 16.2 percent in FY10 to 20.7 percent in FY11.

10.5 Merchandise imports (fob) increased by USD 8948.0 million (or 41.8 percent) in FY11 to USD 30336.0 million. Import of rice (1006.7 percent), yarn, raw cotton, fertiliser, crude petroleum, POL, staple fibre, milk and cream, capital machinery, wheat, plastic and rubber & articles thereof induced to increase overall imports during FY11. Decreased import payments is showed only for oil seeds (20.8 percent). Imports (f.o.b) as a percentage of GDP increased by 6.1 percentage points from 21.3 percent in FY10 to 27.4 percent in FY11.

Box 10.1

Trends in Global Foreign Direct Investment (FDI) Flows and Prospects for Attracting FDI to Bangladesh

Foreign direct investment (FDI) is a key factor for rapidly evolving international economic integration, also referred to as globalisation. The past decade was marked by both the increasing and the decreasing role of foreign direct investment (FDI) in global capital flows. After declining in 2008 and 2009 from the peak of 2007, global FDI flows grew moderately in 2010. Global FDI inflows increased by USD 59 billion or 5.0 percent to USD 1244 billion in 2010 compared to a decline of USD 559 billion or 32.1 percent in 2009. Following the trend in inflows, global FDI outflows also increased by USD 152 billion or 13.0 percent to USD 1323 billion in 2010 compared to a decline of USD 740 billion or 38.7 percent in 2009. During first half of 1990s (1991 to 1996) both global FDI inflows and outflows increased steadily but by rapid growth during the second half they reached their highest level in 2000 of that decade of USD 1387 billion and USD 1186 billion respectively. After 2000 FDI inflows and outflows started to decline which was huge in 2001 (41.0 percent in inflows and 39.2 percent in outflows) and from 2004 it was in progress to recover and reached a new record level of USD 1971 billion in FDI inflows and USD 2175 billion in FDI outflows in 2007.



FDI inflows in Bangladesh grew by 63.0 percent to USD 1086.31 million in 2008, which was the highest volume since the independence. However, total FDI inflows increased by 30.4 percent to USD 913.32 million in 2010. Contribution of the components of FDI in total inflows was 56.9 percent as equity capital, 39.9 percent as reinvested earnings and 3.1 percent as intra-company loans in 2010.

Since independence, Bangladesh is trying to be a suitable location for foreign direct investors. Bangladesh has liberalised the economy in early 1990s and introduced investment incentives to create favourable climate for FDI. Like other developing countries, Bangladesh has adopted a number of policies and provided open-handed incentives to attract foreign direct investment (FDI) into the country. Bangladesh has been trying to set up an amiable economic and political environment for foreign investment along with liberal investment strategy, administrative reform and attractive incentive. Bangladesh seems to put forward the most liberal FDI regime in South Asia, allowing 100 percent foreign equity with unrestricted exit policy, easy remittance of royalty, technical assistance fees and repatriation of profits and incomes. Facilities such as tax holidays, tax exemptions, duty concessions and accelerated depreciations have been devised to promote both foreign and domestic investment. The country is also developing its infrastructures including roads, highways and port facilities for a better business environment. According to the FDI Magazine of The Financial Times, Chittagong Export Processing Zone, Bangladesh scored 3rd and 4th position in the "Best Cost Effectiveness" and "Best Economic Potential" categories respectively in the competition under the head "Global Ranking Competition of Economics Zones" for 2010-2011. All Bangladeshi products (other than armaments) enjoy complete duty and quota free access to EU, Japan, Canada, Australia and most other developed countries. Bangladesh is advantageously positioned next to India, China and ASEAN markets. Bangladesh is well situated in every sense to

Box 10.1

Trends in Global Foreign Direct Investment (FDI) Flows and Prospects for Attracting FDI to Bangladesh

(Contd.)

take advantage of vast and increasingly prosperous populations of China and India which are projected to grow to three billion by 2050. As the South Asian Free Trade Area (SAFTA) comes into force, investors in Bangladesh will have the benefit of duty-free access to India and other member countries. Bangladesh's own market of 146.23 million people is becoming increasingly attractive to business and foreign investors. Bangladesh ensures legal protection to foreign investment in Bangladesh against nationalisation and expropriation by Foreign Private Investment (Promotion & Protection) Act 1980. Bangladesh is also a signatory of MIGA (Multilateral investment Guarantee Agency), OPIC (Overseas Private Investment Corporation) of America, ICSID (International center for Settlement of Investment Disputes) and World Intellectual Property Organisation (WIPO). Bilateral agreements to avoid double taxation have been signed with negotiation. Several government agencies like Board of Investment (BoI) and Bangladesh Export Processing Zones Authority (BEPZA) have been formed to facilitate both foreign and local investment. As a result, a number of foreign investors are showing eager to invest in Bangladesh and hopefully, new era will be started for investment by foreign investors.

10.6 The trade deficit widened by 42.2 percent in FY11 owing to the relatively larger expansion in import expenditure compared to the increase in export earnings. Therefore, a higher increase in imports than export somewhat widened the trade deficit from USD 5155.0 million in FY10 to USD 7328.0 million in FY11. The deficit on the services account, however, widened by USD 1165.0 million to USD 2398.0 million in FY11 from USD 1233.0 million in the previous year. On the contrary, the deficit on the income accounts narrowed down slightly to USD 1354.0 million in FY11 from USD1484.0 million in FY10. Current transfers increased substantially from USD 11596.0 million in FY10 to USD 12075.0 million in FY11. The net outcome of all these narrowed down substantially the current account surplus from USD 3724.0 million in FY10 to USD 995.0 million in FY11. Current account balance as a percentage of GDP stood at 0.9 in FY11 against 3.7 in FY10.

10.7 Despite surplus in the current account balance, huge decline in both FDI (net) and other investment in the financial account contributed to make huge deficit of USD 925 million in the overall balance during FY11 from surplus of USD 2865.0 million in FY10. Table XVI of Appendix-2 of this Report shows the balance of payments statement for FY11 and FY10. Chart 10.2 portrays the trends of trade, current account and overall balances as a percentage of GDP in recent years.

10.8 As a potential source of foreign exchange reserves, foreign direct investment (FDI) has been emphasised by the Government. However, global financial turmoil, power and energy shortages had some negative effects on FDI. As a result, as per primary estimation net FDI flows in Bangladesh decreased by 15.9 percent to USD 768.0 million in FY11 from USD 913.0 million in FY10.

10.9 The external sector is expected to strengthen further in FY11 with the gradual recovery in the global economy, easing global market liquidity and improving growth prospects in the domestic economy.

Exports (fob)

10.10 Table 10.1 show that total exports in FY11 had a significant growth over the same period of FY10 despite the withdrawal of the GSP+ concessions since August 2010. Aggregate exports increased by 41.5 percent in FY11 to USD 22924.4 million from USD 16204.7 million in FY10. Apparels (woven garments and knitwear products) continued to occupy an overwhelming (about three fourth) share of the export basket in FY11.

Destination

10.11 The destinational pattern of exports excluding those from EPZs in FY11 showed continued heavy dependence on the markets in Europe, 41.4 percent of exports were destined for the EU bloc while another 19.9 percent entered into the NAFTA bloc. Export to the ASEAN countries 0.9 percent, SAARC and other regions constituted 2.5 and 35.3 percent respectively of total exports in FY11 (Chart 10.3).

Composition

10.12 **Readymade garments** (Woven and knitwear): Woven and knitwear products, which fetch about 78.1 percent of total export earnings, registered a high increase in receipts, from USD 12496.7 million of FY10 to USD 17914.5 million in FY11. Woven and Knitwear products showed the growth of 40.2 percent and 46.3 percent respectively in FY11 compared to FY10.

10.13 **Frozen food:** The frozen food sector comprising principally of shrimps registered marked increase in export earnings during FY11. Receipts from export of shrimp and fish increased significantly by 39.8 percent from USD 437.4 million of FY10 to USD 611.3 million in FY11. Both the volume and average

Chart 10.2

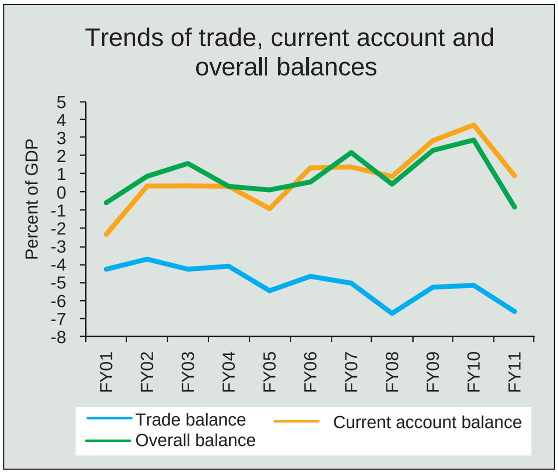


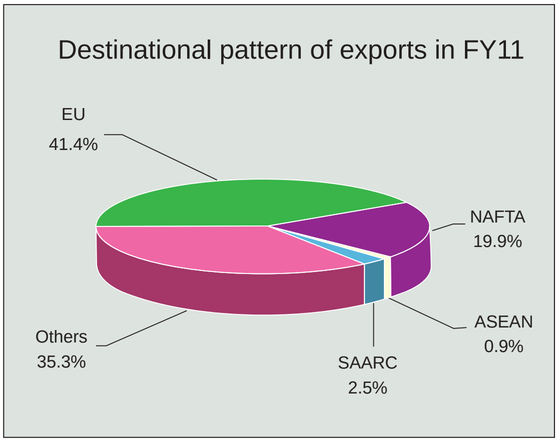
Table 10.1 Composition of merchandise exports

(Million US Dollar)

Items	FY10	FY11	% change
1) Raw jute	196.3	357.3	82.0
2) Jute goods	591.7	757.7	28.1
3) Tea	5.7	3.2	-43.9
4) Leather and leather products	226.1	297.8	31.7
5) Frozen shrimps and fish	437.4	611.3	39.8
6) Woven garments	6013.4	8432.4	40.2
7) Knitwear products	6483.3	9482.1	46.3
8) Fertiliser	38.6	39.5	2.3
9) Petroleum by-product	301.2	260.7	-13.4
10) Engineering products	311.1	309.6	-0.5
11) Terry towel	157.1	120.1	-23.6
12) Footwear	204.1	297.8	45.9
13) Others	1238.3	1954.8	57.9
Total	**16204.7**	**22924.4**	**41.5**

Source: Export Promotion Bureau.

Chart 10.3



unit price of shrimp increased by 28.9 and 6.5 percent respectively.

10.14 **Raw jute:** In FY11, raw jute valued at USD 357.3 million was exported against USD 196.3 million in FY10. Both the volume of export of raw jute and unit price increased by 81.2 and 0.5 percent respectively in FY11 over FY10.

10.15 **Jute goods** (excluding carpets): In FY11, jute products valued at USD 757.7 million against USD 591.7 million exported in FY10. Both the volume and unit price of export of jute products increased by 27.0 and 0.9 percent respectively in FY11 over FY10.

10.16 **Leather:** Export earnings from leather increased by 31.7 percent to USD 297.8 million in FY11 from USD 226.1 million in FY10. Both the volume of export of leather increased by 19.1 percent and unit price by 10.6 percent in FY11 over FY10.

10.17 **Tea:** Tea valued at USD 3.2 million were exported in FY11 against USD 5.7 million in FY10. Despite the average unit price increased by 7.8 percent, volume of exports of tea decreased markedly by 47.8 percent in FY11 over FY10.

10.18 **Fertiliser:** Export earnings from fertiliser increased by 2.3 percent to USD 39.5 million in FY11 against USD 38.6 million in FY10. Both the volume and unit price of export of fertiliser increased by 0.9 and 1.6 percent respectively in FY11 over FY10.

Export Promotion and Diversification

10.19 The main source of hard-earned foreign exchange of Bangladesh is the export sector. Though the international business has been opened and easier due to the globalisation, the participating countries are being faced gradual mutual competition in the wake of sharp upturn of global development in the aftermath of recent financial crisis in international market. In this respect, each country is engaged in continuous endeavour to exist in the competition using its comparative advantages in commodity production. Bangladesh is also not exceptional. The Government has taken all necessary initiatives for further strengthening the external sector to improve its resilience, competitiveness and responsiveness to changing external conditions. The Government has taken the initiative to diversify the export sector by freeing this sector from the dependence on the limited export commodities and ensuring the commodity supply at competitive price in the world market. Use of modern technology in the business, simplification of export-import policies, market expansion, capacity building activities such as growth of productivity, production of quality commodities, reduction of the trading cost and improvement of governance condition etc. are the prime areas that got utmost attention. At the same time, the government has taken the initiative to enhance the export earnings through offering all probable scopes for the development of the service sector such as information and communication technologies, consultation service, construction etc..

10.20 In order to facilitate export of the country, Export Development Fund (EDF) was increased from USD 300.0 million to USD 400.0 million with effect from 27 October 2010. The revolving EDF is used to provide refinancing facilities to the scheduled commercial banks in financing the exporters for imports of raw materials, accessories, spare parts and packing materials under export L/Cs with a single borrower exposure increased up to a maximum limit of USD 10.0 million. Total disbursement from EDF in FY11 stood at USD 998.6 million against USD 478.8 million in FY10. The outstanding balance at end June 2011 stood at USD 400.0 million, which was USD 256.6 million in FY10. The rate of interest on USD under EDF changed at six month LIBOR+1.0% up to USD 1.50 million, out of that, LIBOR part for EDF and the rest 1% for concerned AD banks. In excess of USD 1.50 million, the rate of interest is six month LIBOR+2.50%, out of that LIBOR+1% for EDF and rest 1.5% for concerned AD banks. However, from 1 July 2011 the rate of interest would be as before i.e. LIBOR+2.50% for all direct/deemed exporters.

Imports (fob)

10.21 Import payments (fob) in FY11 stood at USD 30336.0 million registering a growth of 41.8 percent compared to USD 21388.0 million in FY10 with double digit positive growth for almost all of the importables except oil seeds (decreased by 20.8 percent) and pulses (decreased by 16.6 percent) due to strong growth in the domestic economy. Other food items indulge slightly rise in the aggregate imports during FY11 over FY10 (Table 10.2). Increasing consumer and industrial needs raised the import of industrial raw materials in the country. Other food items increased by 0.4 percent to USD 2404.0 million in FY11 from USD 2395.0 million in FY10 (milk and cream 51.9 percent, spices 16.5 percent, edible oil 1.6 percent and sugar 0.6 percent). Imports of capital machinery recorded significant growth of 45.7 percent to 2324.0 million during FY11 from 1595.0 million in FY10. Import of capital goods and others increased by 28.6 percent to USD

Chart 10.4

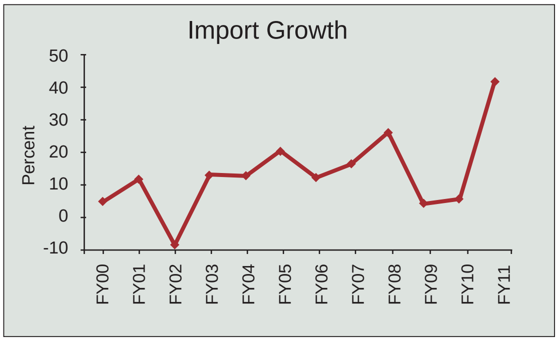


Table 10.2 Composition of merchandise imports

(Million US Dollar)

Items	FY10	FY11	% change
A. Food grains	**836**	**1911**	**128.6**
1. Rice	75	830	1006.7
2. Wheat	761	1081	42.0
B. Other food items	**2395**	**2404**	**0.4**
1. Milk and cream	106	161	51.9
2. Spices	109	127	16.5
3.Oil seeds	130	103	-20.8
4. Edible oil	1050	1067	1.6
5. Pulses (all sorts)	350	292	-16.6
6. Sugar	650	654	0.6
C. Consumer and intermediate goods	**10183**	**15741**	**54.6**
1. Clinker	333	446	33.9
2. Crude petroleum	535	888	66.0
3. POL	2021	3221	59.4
4. Chemical	972	1254	29.0
5. Pharmaceutical products	103	116	12.6
6. Fertiliser	717	1241	73.1
7. Tanning and dyeing extracts	275	333	21.1
8. Plastics and rubber and articles thereof	966	1302	34.8
9. Raw cotton	1439	2689	86.9
10. Yarn	718	1391	93.7
11.Textile and articles thereof	1986	2680	34.9
12. Staple fibre	118	180	52.5
D. Capital goods and others	**8910**	**11461**	**28.6**
1. Iron, steel and other base metal	1453	2004	37.9
2. Capital machinery	1595	2324	45.7
3. Others	5862	7133	21.7
E. Imports by EPZ	**1414**	**2140**	**51.3**
Total Import (c&f)	23738	33657	41.8
Less (-) freight & others	2350	3321	41.3
Total import (fob)	**21388.0**	**30336**	**41.8**

Source: Statistics Department, Bangladesh Bank.

11461.0 million in FY11 from USD 8910.0 million in FY10 (iron, steel and other base metal increased by 37.9 percent and others by 21.7 percent). However, food grains import increased substantially by 128.6 percent to USD 1911.0 million in FY11 from USD 836.0 million in FY10 mainly due to 1006.7 percent rise in rice import. Consumer and intermediate goods import increased substantially by 54.6 percent to USD 15741.0 million in FY11 from USD 10183.0 million in FY10 (yarn 93.7 percent, raw cotton 86.9 percent, fertiliser 73.1 percent, crude petroleum 66.0 percent, POL 59.4 percent, staple fibre 52.5 percent and Textile and articles thereof 34.9 percent). Imports by EPZs increased by 51.3 percent to USD 2140.0 million in FY11 from USD 1414.0 million in FY10.

Terms of Trade

10.22 The terms of trade improved marginally by 0.5 percent in FY11 over FY10 due to the significant increase in export prices over import prices. Both the export price index and import price index increased by 7.3 and 6.7 percent respectively exerting a net upswing in export prices due to increased demand in international market in FY11 with the gradual recovery of the global economy.

Bilateral and multilateral Relations

10.23 Bangladesh continued strengthening its foreign trade ties in FY11 through bilateral, regional and multilateral negotiations and agreements. At the multilateral level, continued its active engagement in the current Doha Development Round Trade negotiation of the World Trade Organisation (WTO) in which members are committed to conclude in 2011. Bangladesh participated in a number of key negotiations with a view to protecting the country's trade and economic interests, particularly in the areas of agricultural, non-agricultural market access (NAMA), Trade related aspect of Intellectual Property Rights (TRIPS), rules and services. With regard to NAMA, Bangladesh remained exempted from having to undertake tariff reduction commitments. Increased protection for geographical indications, traditional knowledge and biodiversity resources were negotiated under TRIPS. Bangladesh continued to participate in negotiation of a new Agreement on Trade Facilitation (ATF), aimed at harmonising customs and other trade facilitation procedures and regulations. The third round of the Global System of Trade Preferences (GSTP) initiated to increase the South-South trade and economic co-operation concluded in 2010 with the signing of Sau Paulo Round Protocol. Further, since many countries have regional and bilateral trade agreements with major trading partners in the GSTP, they already enjoy lower tariffs than offered under the GSTP. Bangladesh engaged in advancing its interests in the Rules of Origin negotiations in the third round and in currently reviewing the option to join the protocol.

Table 10.3 Terms of trade of Bangladesh

(Base: FY96=100)

Year	Export price index	Import price index	Commodity terms of trade
FY00	120.31	136.17	88.35
FY01	123.15	146.41	84.11
FY02	126.23	157.76	80.01
FY03	135.19	164.15	82.36
FY04	139.60	169.96	82.14
FY05	142.38	176.66	80.60
FY06	149.28	183.09	81.53
FY07	165.70	232.52	71.26
FY08	171.29	241.15	71.03
FY09	178.23	248.33	71.77
FY10	188.93	262.44	71.99
FY11*	202.74	280.13	72.37

Source: Bangladesh Bureau of Statistics.
* estimated.

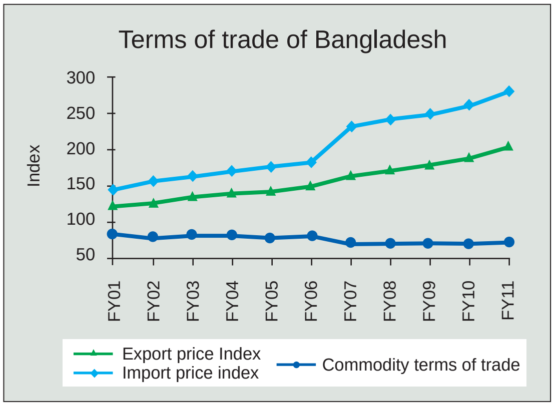
10.24 The first phase of reducing negative list and custom duties under the trade liberalisation programme of the South Asian Free Trade Agreement (SAFTA) was implemented with effect from November 2010. Negotiations on the reduction of negative lists by 20 percent by each member continued and Bangladesh will reduce custom duties to 0-5 percent within 2014 for products from other member states. Supporting the significant increase in trade in services, the SAARC framework agreement on trade in services was signed at 16th SAARC summit in 2010 to begin the negotiations on the schedules of commitments under the agreement to enable its implementation. Bangladesh has ratified the agreement.

10.25 The improved foreign exchange position, with the highest ever level of foreign reserves, and the improved rating outlook of the country by the Standard & Poor's and Moody's, have facilitated borrowing from foreign banks at competitive rate and issuing of sovereign bonds at the international market. Overall, the business and investment climate of the country and the favourable macroeconomic environment has improved, which will undoubtedly help business sector to prosper.

10.26 Prudent monetary and fiscal management of Bangladesh earns Ba3 and BB- sovereign rating with stable outlook from Moody's and S&P respectively for two consecutive years, i.e. 2010 and 2011. In the global financial arena, the BB- and Ba3 sovereign ratings ranked Bangladesh only behind India in South Asia.

10.27 Country ratings confer identity to a nation in the international arena regarding its strength and shock absorbing capacity, with special reference to its repayment capacity to sustain debt obligation. Sovereign credit rating for Bangladesh by two international

Chart 10.5



rating agencies has regarded Bangladesh as a reliable destination for international creditors and investors. It is helpful for attracting investment fund from external sources by issuing government or non-government sector's bond in international market and for reducing borrowing cost.

Bangladeshi exporters have proven their resilience amidst difficulties on earlier occasions. The apparel sector, in particular, resisted strong competitions from low cost garments producers of other countries during the phasing out of the Multi-fibre Agreement (MFA). At that time, not only did they adjust to the new and challenging circumstances but actually emerged stronger to appropriately deal with the various risks and expand their share in the world market. In a similar manner, it is likely that the Bangladeshi industries would overcome a possible non GSP+ challenges too, and emerge stronger than before.

Workers' Remittances

10.28 The Inward workers' remittances from Bangladeshi nationals working recorded lower growth in FY11 in the face of slower recovery of the manpower exporting centers in the aftermath of global economic slowdown. Receipts on this sector increased by 6.0 percent to USD 11650.3 million in FY11 from

USD 10987.4 million in FY10. The underlying reason was that Bangladesh Bank has simplified the approval policy of drawing arrangements between foreign exchange houses and domestic banks. As a result, 37 banks have been permitted for establishing 1084 drawing arrangements with 288 exchange houses all over the world for collecting remittances. For better control on the remittance collection, establishment of exchange houses/branch offices abroad by local banks is being encouraged. Under this arrangement some banks have already established their offices abroad to collect remittances by their own. It is to mention that, 69 exchange houses/branch offices/representative offices of 24 local banks are permitted abroad for onward sending of remittances to the country. Some Micro Finance Institutions (MFIs) have been involved for smooth delivery of inward remittances. Banks are now using the branch networks of the Micro Finance Institutions (MFIs) and Bangladesh Post Office as the sub-agent for remittance distribution. Till now 16 MFIs are allowed to perform the job of remittance distribution. These institutions are acting as facilitator in the process by their branches in remote areas. Banks are instructed again to ensure the delivery of remittance to the beneficiary within 72 hours as per existing policy. Banks (Bank Asia Ltd., BRAC Bank Ltd., Dhaka Bank Ltd., Trust Bank Ltd., Mercantile Bank Ltd., Citibank N.A and Sonali Bank Ltd.) are now allowed to distribute remittance using the countrywide outlets of different mobile operators like Grameen phone, Banglalink & Robi. To increase the competition among the money transmitters, commercial banks are instructed to amend the contracts with some Multinational Money Remitters/ Exchange Houses through their mutual understanding to remove "Pay Cash Exclusivity Clause" or any other such clause that can put a ceiling on the competition in the market among the related parties. The shares of major source countries in the remittance receipts of FY11 are given at Chart 10.7.

Foreign Aid

10.29 Total official foreign aid disbursement decreased by 21.0 percent to USD 1760.0 million in FY11 from USD 2228.0 million received in FY10 (Table 10.4). Food aid disbursement stood at USD 87.0 million in FY11 which was USD 93.0 million in FY10. The disbursement of project assistance stood at USD 1673.0 million in FY11, which was USD 2134.0 million in FY10. It is mentionable that, no commodity aid was received in FY11 as in the preceding year.

Total outstanding official external debt as of 30 June 2011 stood at USD 21451.0 million (19.4 percent of GDP in FY11) against USD 20336.0 million as of 30 June 2010 (20.3 percent of GDP in FY10). Repayment of official external debt stood at USD 933.0 million (excluding repurchases from the IMF) in FY11. This was USD 55.0 million or 6.3 percent higher than the repayment of USD 878.0 million in FY10. Out of the total repayments, principal payments amounted to USD 739.0 million while interest payments stood at USD 194.0 million in FY11 against USD 687.0 million and USD 191.0 million respectively during FY10. The debt-service ratio as percentage of exports was 3.7 percent in FY11.

Foreign Exchange Market Operations

10.30 Under the managed floating exchange rate regime, banks are free to set their own rates for inter-bank and customer transactions. The exchange rate is being determined based on market demand and supply forces of the respective currencies. For avoiding unusual volatility in the exchange

Box 10.2

Inflow of Remittance and Its Impact on the Balance of Payments (BoP) of Bangladesh

Remittances have a direct effect on Bangladesh's balance of payments. Inflows of overseas income not only fill the coffers of private households but also lead to an increase on the recipient side of the balance of payments. Foreign currency inflows help to reduce both foreign exchange deficits needed to finance imports and to consolidate the balance of payments. Remittances, in contrast to other incoming payments from abroad, neither carry interest nor have to be repaid. International migration contributes positively to the development of a country through remittances. This includes an increase in economic growth, social empowerment and technological progress and a reduction of poverty and unemployment.

At the macro level, the most direct and significant impact of remittances is to boost foreign exchange reserves which serve as an engine for economic growth and are an important source of external finance. At the household level, remittances directly affect the lives of migrants' families. Money received in remittance is used to raise their standard of living by increasing consumption and investing in education, health, and other productive activities. All of these expenditures have multiplier effect on the economy. A portion of remittances is also deposited in banks, thus financing loans to other households and providing capital for small entrepreneurs.

Bangladesh is ranked the 7th highest remittance receiving country in the world and 2nd among the six South Asian countries, followed by India. There has been a significant growth in remittance earnings in Bangladesh from USD1949.32 million in FY00 to USD 11650.32 million in FY11. Remittances now account for about 11.00 percent of our GDP and 50.64 percent of exports. It has really played a significant role in offsetting our merchandise trade deficit to a large extent and thereby keeping the current account deficits modest.

Bangladesh has already achieved a large and sustainable increase in remittances over the years due to a phenomenal increase in the volume of international migration. The impact of remittance has been significant for both the beneficiaries of remitters as well as the economy. Remittances, therefore, have emerged as one of the most fruitful panacea to get rid of such economic problems including easing the pressure of balance of payments of the country.

The Government and the Bangladesh Bank have taken various steps to increase the inflow of remittances through a dynamic delivery system. The measures taken include:

1. Bangladesh Bank has simplified the approval policy of drawing arrangements between foreign exchange houses and domestic banks.
2. For better control of remittance collections, the establishment of exchange houses/branch offices abroad by local banks is being encouraged.
3. Some Micro Finance Institutions (MFIs) have been involved in facilitating the smooth delivery of inward remittances.
4. SMS banking facilities have been allowed to ensure the real time delivery of remittances to beneficiaries.
5. Bangladesh Electronic Funds Transfer Network (BEFTN) was inaugurated from 28 February 2011 which, with other funds transfer activities, will facilitate the quick delivery of remittances to beneficiaries through bank-to-bank clearing systems.

To increase competition among money transmitters, commercial banks are instructed to amend contracts with multinational money remitters/exchange houses through mutual understanding to remove the "Pay Cash Exclusivity Clause" or other such clauses that can put a ceiling on competition.

rate, Bangladesh Bank may purchase and sell US dollar as and when it deems necessary to maintain stability in the foreign exchange market. During July-September 2010, Taka-Dollar exchange rate reached as high as Taka 70.53. However, from October 2010-January 2011 exchange rate remained in the increasing trend. Although export growth was quite high during the period under consideration, the import also grew significantly. The wage earners remittances, although increased a little, it could not narrow down the gap between import and export. As a result, there was an inevitable pressure on exchange rate which continued during the 3rd and 4th quarter of FY11. During this time Taka depreciated by 6.8 percent and reached as high as Taka 74.15 against US Dollar at the end of FY11. During FY11, BB intervened in both sides of the foreign exchange market, which helped prevent erratic undue movements in the exchange rate, to ensure adequate liquidity in the domestic foreign exchange market and to build official reserves. Bangladesh Bank purchased USD 316.5 million (net) and sold USD 1279.0 million in FY11 to make the foreign exchange market stable. As a part of better liquidity support in the domestic foreign exchange market BB also provided overdraft facility to a few banks through F/C Clearing Accounts. The volume of inter-bank foreign exchange transactions in FY11 stood at USD 15020.3 million which included spot, forward and swap transactions and was 116.93 percent higher than the USD 6924.1 million in FY10.

Foreign Exchange Reserves

10.31 The gross foreign exchange reserves held by Bangladesh Bank comprise holdings of gold and foreign exchange, the reserve position with the IMF and holding of Special Drawing Rights (SDR). The net international reserves remained above USD 10,000.0 million while the world economy has been trying to overcome the global recession. Despite the quantitative easing in the US

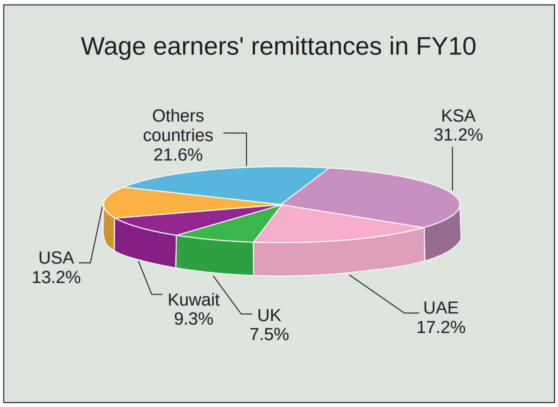
Table 10.4 Foreign aid receipts and debt repayments*

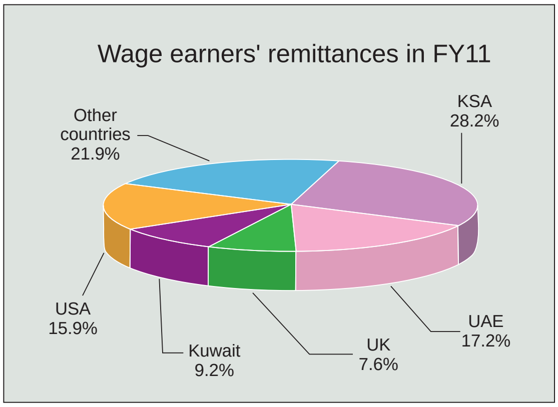
(Million US Dollar)

Particulars	FY09	FY10^R	FY11^P
1. Receipts	1847	2228	1760
i) Food aid	52	93	87
ii) Commodity aid	-	-	
iii) Project aid	1795	2134	1673
2. Repayments (MLT)	856	878	933
i) Principal	656	687	739
ii) Interest	200	191	194
3. Outstanding external debt as of end June	20859	20336	21451
4. Outstanding debt as percentage of GDP	23.3	20.3	19.4
5. External debt services (MLT) as percentage of exports	6.4	5.7	3.7

R=Revised. .P=Provisional.
* Excluding transactions with the IMF.

Chart 10.6





economy, worries about debt crisis and austerity plan of euro-zone, down grading of sovereign rating of a number of euro-zone economies by major rating agencies; Bangladesh Bank maintained stability in retaining foreign exchange reserves. The gross foreign exchange reserves of Bangladesh Bank had reached a record high level of USD11,370.2 million as on 3 May 2011. However, due to ACU payment, huge import pressure and maintaining the liquidity in the local Forex market the reserves stood at USD 10912.0 million at the end of FY11 which is 1.5 percent higher than USD10,750.0 million of the same period of FY10. The current foreign exchange reserve is sufficient to meet four months import obligations. In order to strengthening the long term stability of the country's reserves and diversifying the external asset portfolio BB invested in high rated bonds and purchased 10 metric tons gold from the IMF in September 2010 to increase its present gold holdings.

Reserve Management Strategy

10.32 The BB's reserve management strategy and operational procedures are strongly influenced by developments of the financial markets and by various aspects of the policy environment in which the BB operates. The most relevant elements of policy environment in which reserve management operates are monetary policy framework, the exchange rate policy and regime and external debt position. After switching over from pegged exchange rate regime to floating regime in May 2003, BB brought about significant changes in the monetary management in relation to its reserve management mechanisms which are aligned to best international practices and advices/guidelines provided by IMF from time to time.

Main objectives of the BB for holding foreign exchange reserves include maintenance and safety of adequate level of reserves to cover imbalances in the balance of payment, to maintain confidence in the external value of the Taka and as a store of value to protect the economic well being of the country. Other integral parts of reserve management are to meet foreign debt obligations, liquidity of reserves for the purpose of exchange rate management, stimulating exports and growth, minimising exchange rate volatility and finally, earning optimal return from the reserves assuming

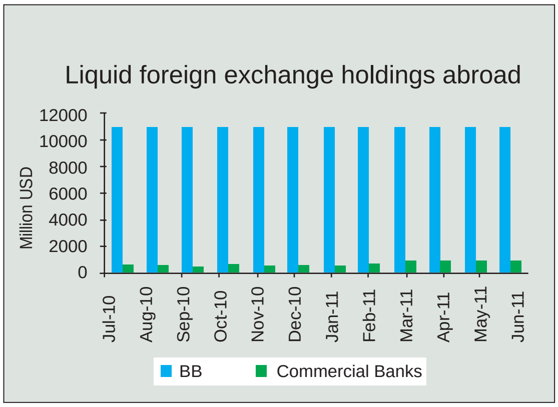
Table 10.5 Gross foreign exchange reserves of the Bangladesh Bank

(end month, million USD)

Months	FY07	FY08	FY09	FY10	FY11
July	3245	5042	5820	7741	10749
August	3605	5225	5966	9156	10992
September	3447	5158	5863	9363	10834
October	3543	5410	5551	9545	11160
November	3534	5032	5245	10336	10700
December	3878	5278	5788	10345	11174
January	3739	5088	5577	10098	10382
February	4157	5680	5872	10555	11159
March	4200	5302	5953	10142	10731
April	4538	5773	6509	10602	11316
May	4439	5335	6563	10146	10431
June	5077	6149	7471	10750	10912

Source: Accounts and Budgeting Department, BB.

Chart 10.7



controlled risks in a prudent manner that will preserve the nominal value of the reserves. To contain counterparty risk, BB diversifies its investments out of its reserves among a number of internationally reputed central and commercial banks' bond and bill having good credit ratings assigned by the international rating agencies (Standard and Poor's, Moody's & Fitch). With a view to minimising exchange rate risk, currency composition has been diversified among the major currencies. Investment duration and currency benchmark are carefully followed to minimise interest rate risks, while reserve management and investment functions have been segregated among three independent reporting units viz., Front Office, Middle Office and Back Office to mitigate operational risks. However, keeping in view the stipulated liquidity restrictions and market & credit risk limits, BB diversified its portfolio investment into gold, T-bills, repos, short-term deposits including other money market instruments and high rated sovereign, supranational and corporate bonds. BB has been remaining cautious and vigilant regarding placement of funds in banks affected by global financial crisis.

Transactions under Asian Clearing Union (ACU)

10.33 Total transactions of Bangladesh under the Asian Clearing Union (ACU) increased in terms of volume during FY11 compared to the preceding year. Bangladesh remained a net debtor during FY11. Import payments increased substantially than export receipts with the ACU member countries during the year under report. Export of Bangladesh to ACU member countries recorded an increase by USD 137.85 million or 95.19 percent from USD 144.81 million (Taka 1006.50 crore) in FY10 to USD 282.66 million (Taka 2098.27 crore) in FY11. Import from the ACU member countries increased by USD 2124.47 million or 66.90 percent from USD 3175.37 million (Taka 22069.28 crore) in FY10 to USD 5299.84 million (Taka 39342.25 crore) in FY11. As a result, the net debtor position of Bangladesh increased by USD 1986.62 million or 65.55 percent to USD 5017.18 million (Taka 37243.98 crore) in FY11 compared to USD 3030.56 million (Taka 21062.78 crore) in the preceding year. Receipts and payments of Bangladesh under ACU arrangement during the last three years are shown in Table 10.6.

Table 10.6: Receipts and payments of Bangladesh under the ACU

(Million US Dollar)

Head of Transaction	FY09	FY10	FY11	% increase/ decrease
1. Receipts (Export)	135.20	144.81	282.66	95.19
	(933.70)	(1006.50)	(2098.27)	
2 .Payments(Import)	3035.94	3175.37	5299.84	66.90
	(20966.17)	(22069.28)	(39342.25)	
Net: Surplus (+)/ Deficit (-)	-2900.74	-3030.56	-5017.18	65.55
	(-20032.5)	(-21062.78)	(-37243.98)	

Note: Figures in parentheses indicate Taka in crore.
1 ACUD = 1 USD; 1 USD = 74.2329 Taka.

Table 10.7 Outstanding principal liabilities against the facilities received from the IMF

(million SDR)

Facility	Amount Drawn/ Purchased up to June 2008	Outstanding principal liability as of end June 2010	Instalment repayment in FY11	Outstanding Principal liability as of end June 2011
PRGF, June 2003	316.73	282.08	36.43	245.65
Emergency/ Natural Disaster Assistance, April 2008	133.33	133.33	-	133.33
Total	**450.06**	**415.41**	**36.43**	**378.98**

Source: Forex Reserve and Treasury Management Department, BB.

Transactions with the IMF

10.34 Bangladesh was granted a loan of SDR 347.0 million from the IMF in June 2003 under its 3-year arrangement of Poverty Reduction and Growth Facility (PRGF). As per the request of Bangladesh, the PRGF was augmented and Bangladesh was granted a loan of SDR 53.33 million under the Trade Integration Mechanism (TIM) in July 2004. However, total purchase under PRGF stood at SDR 316.73 million against the total loan facilities of SDR 400.33 million. In April 2008, Bangladesh received SDR 133.33 million for assistance/recovery of millions of people affected by *Sidr* and two preceding floods under 'Emergency Natural Disaster Assistance Programme' of the IMF. Repayment of this fund will begin from July 2011. In FY11, repayment was made against PRGF loan amounting to SDR 36.43 million and outstanding principal liabilities of PRGF loan stood at SDR 245.65 million at the end of 2011. Service charges paid to the IMF during FY11 amounted to SDR 3.61 million. Outstanding liabilities to the Fund at end of June 2011 stood at SDR 378.98 million (Table 10.7).

Exchange Rate Movement

10.35 Since the adoption of floating exchange rate system with effect from 31 May 2003, exchange rate is being determined on the basis of demand and supply of the respective currencies. Banks are now free to set their own rates for interbank and customer transactions. However, in order to maintain orderly market conditions Bangladesh Bank remains vigilant over the developments in the foreign exchange market. Exchange rate policy in FY11 focused on maintaining stability in the domestic foreign exchange market. Amidst the favourable developments in the external environment, improved investor confidence and the resulting huge growth in imports which aggravated depreciating trend in the exchange rate continued during FY11. Despite hefty growth in exports 41.5%) and a moderate growth in wage earners remittances (6.0%), Bangladesh Taka witnessed 6.34 percent depreciation against US dollar in FY11 mainly because of higher import demand. The overall 41.8 percent growth in imports compared to the previous year due mainly to acceleration in domestic investment activities (which in turn caused huge foreign exchange demand for import of capital goods) and import of food items has widened the trade gap and caused depreciation of Taka against USD. The weighted average interbank rate stood at Taka 74.15 per USD as of 30 June 2011 against 69.45 as on 30 June 2010. However, Bangladesh bank continued its role in the foreign exchange market in line with its monetary policy goal to ensure stability in the market.

Changes in Foreign Exchange Regulations

10.36 Bangladesh Bank in its ongoing endeavour to ease the foreign exchange restrictions has embarked upon some changes on exchange arrangements during FY11 are as follows :

a) With a view to facilitating export trade of the country, EDF has been enhanced from existing USD 300 million to USD 400 million. The interest rate for loan amounting upto USD 1.5 million under EDF has been reduced to LIBOR+1% from LIBOR+2.5%.

b) Limit of release of foreign exchange for travelling abroad by resident Bangladeshis with one way ticket has been enhanced. Now, authorised dealers can release the entire unspent amount of annual travel quota entitlement to the resident Bangladeshi nationals proceeding abroad for valid job or migration with one way air ticket.

c) In addition to usual exporter's retention quota facility against repatriated export earnings (50% of repatriated export proceeds), IT/software firms as per recommendation of BASIS, have been allowed to enjoy special foreign exchange quota amounting upto USD 10,000 in a calendar year to remit abroad through AD to meet bonafide business needs such as business visits abroad, participation in export fairs and seminar abroad, establishment and maintenance of offices abroad, international alliance/software registration fee, domain registration/hosting fee, server maintenance fee, account verification/remittance test fee etc. ADs may also issue international card in favour of nominated official of IT/software firm for USD 1000 on revolving basis upto the said limit of USD 10,000 in a calendar year.

d) IT/software firms may involve in selling their products/services to the customers abroad through web/internet without any traditional sale/buy contract. In the context of such web based trade, permission has been accorded that IT firms/software exporters can enjoy the facility to receive internet/web generated payment from abroad through international cards.

e) It has been clarified that Authorised Dealer banks are free to credit individual remittance earned by residents through offering outsourcing services from Bangladesh as offshore destination. A specific guideline has been issued by Bangladesh Bank to facilitate Business Process Outsourcing (BPO) providers in respect of receipt of foreign exchange through banking channel.

f) Memorandum has been signed between the Government of the People's Republic of Bangladesh and the Government of the Republic of India for establishing Border *Haat* at border area between the two neighbouring countries. Exchange regulations of the respective countries shall remain suspended in the markets for trading of goods upto equivalent USD 50 per day for each individual. To implement the MoU, a notification has been issued to suspend operations of section 5(1) and 5(3) of the Foreign Exchange Regulation Act, 1947 in respect of purchase by each individual not exceeding USD 50 equivalent of Bangladeshi Taka or Indian Rupee for any particular day in the Border *Haats.*

g) Foreign Exchange Policy Department has been established in Bangladesh Bank, Rangpur Office. Rangpur, Nilphamari, Lalmonirhat, Kurigram, Dinajpur, Panchagar and Thakurgaon will come under the jurisdiction of Bangladesh Bank, Rangpur Office.

h) New Edition of 'Code Lists for reporting External Sector Transactions (2011Edition)' has been published. Hence, ADs have been advised to report the transactions carried out from July 2011 onward in accordance with new edition.

i) Bangladesh Bank has published new version of Guidelines for Foreign Exchange Transactions, 2009 (Vol-2) in accordance with authority given to Bangladesh Bank under Section 20(3) of the Foreign Exchange Regulation Act, 1947 (Act No.VII of 1947) for compliance and reporting of foreign exchange transactions by the Authorised Dealers and other concerns. It is available in the website of Bangladesh Bank.

j) It has been decided that Authorised Dealers have been allowed to discount/purchase accepted bills against import from abroad on banker customer relationship complying due diligence.

k) It has been decided to disburse enhanced stimulus support against export of textile/textile goods to countries other than USA, Canada and EU. Same support is also applicable for direct export of yarn produced in member factories of Bangladesh Textile Mills Association (BTMA) to any market. The stimulus support is 5.0 percent against export of FY10, 4.0 percent against export of FY11 and 2.0 percent against export of FY12. Afterwards, new policy directive in this regard has been declared under which new market exploration assistance will be given on fob value of the goods. Moreover, conditions not to avail of bond facilities/duty draw back along with market exploration assistance and to use local yarn/fabrics have been withheld.

l) The manufacturer-exporter exporting textile/ textile goods amounting USD 3.50 million in FY09 and not under the ownership of a large industry is defined as small and medium industry as per the decision of the Government. The small and medium industries availing of cash incentive have been allowed to have additional cash incentive at 5.0 percent for export during FY10 in lieu of duty drawback/customs bond facility. The facility has been continued during FY11.

m) The small and medium industries have been allowed to avail of special facilities at 2.0 percent on local valuation of 25.0 percent over net FOB value. The facility is applicable for export during FY11. However, it will not be applicable for exporters availing existing cash incentive and additional cash incentive facilities.

n) It has been decided that advance TT has been allowed for cash subsidy against export of jute goods to countries other than Pakistan, India, Hong Kong and Singapore. It has also been allowed for cash incentive against export of leather and leather goods and export of handloom goods. In this context, ceiling value has been fixed at different goods.

o) To protect misuse of Government fund, ceiling value of potato has been fixed at USD 280 per Metric Ton for disbursement of cash incentive against export of potato.

p) As per the decision of Government, ceiling value of frozen shrimp and other fish has been enhanced to USD 4.74/pound and USD 1.38/pound respectively in case of disbursement of cash incentive.

Anti-money Laundering Surveillance

10.37 Bangladesh Bank (and thus Anti-Money Laundering Department, the Financial Intelligence Unit of Bangladesh) is continuously performing the key role in combating Money Laundering and Terrorist Financing activities in Bangladesh under the provision of the Money Laundering Prevention Act, 2009 (MLPA) and Anti-Terrorism Act, 2009 (ATA). Due to this performance Bangladesh has achieved significant success in prevention of Money Laundering and Terrorist Financing in FY11. The Anti-Money Laundering Department (AMLD) has performed a number of functions in order to execute the instructions under the MLPA, 2009 and ATA, 2009. Because of these activities, it has become possible to uphold the foreign exchange reserve by the end of FY11. It is widely considered that one of the major reasons for upholding the foreign exchange reserve is that inward remittances are channelled mostly through legitimate remitting organisations. Awareness of Money Laundering and effective implementation of the MLPA has restricted alternative illegitimate channels for remitting money into the country.

10.38 The MLPA has empowered Anti Money Laundering Department of BB to perform the anchor role in combating money laundering through building consciousness among the financial society and monitoring suspicious transactions and large cash transactions carried out in the banking as well as non-banking financial sector (Financial Institutions, Insurance Companies, Money Changers, Money remitting/transferring organisations and other business entities registered by Bangladesh Bank) and disseminating information to the law enforcement agencies.

10.39 Some of the significant actions that have been taken by the Anti-Money Laundering Department under the provisions of MLPA, 2009 and ATA, 2009 are stated below:

- Under the provisions of Money Laundering Prevention Act, 2009 and with the approval of the Government, 6 (six) new organisations and new predicate offences were included respectively as reporting organisations and predicate offences by a gazette notification has already been circulated among all the relevant sectors on 30 September 2010 by AMLD Circular no.26.

- A number of cases have been sent to the Anti-Corruption Commission (ACC) for necessary action after *prima facie* inspection. AMLD has been monitoring the update of those cases.

- A number of bank accounts have been freezed by AMLD of BB on suspicion of ML and TF under the provisions of MLPA, 2009 and ATA, 2009. In a particular case, the freezed money has been returned to the respective country.

- Initiatives have been taken to repatriate the stolen/laundered money from different countries.

- Till now AMLD has received 680 Suspicious Transaction Reports (STRs) from the banks. Necessary actions are being taken after analysing those STRs.

- 24 commercial banks have been penalised so far under the provision of MLPA for non-compliance of the Act. Some of the banks have been penalised for more than once. Among these 5 commercial banks have been penalised in FY11.

- AMLD has continued its effort to create awareness among the bank officials by providing training and arranging workshops on AML/CFT issues. Furthermore, from this year it has included officials of non-bank financial institutions and insurance companies under this awareness programme.

- The Financial Intelligence Unit (FIU) of AMLD has been maintaining a rich database of financial information such as Suspicious Transaction Reports (STRs) and Cash Transaction Reports (CTRs). All necessary steps have been taken to ensure the security and confidentiality of the information.

- Till now the FIU of Bangladesh has already signed MoU with 10 countries, among those MoU with FIUs of Srilanka, Thailand and England has been signed in FY11.

  The FIU of Bangladesh continued its effort to become a member of Egmont group (the association of FIUs) that will give access to a wider global platform and will establish relationship with 117 countries to get benefit by exchanging views, experiences and information.

  It is worth mentioning that AMLD has successfully arranged the APG (Asia Pacific Group on Money Laundering) Typology Workshop on AML/CFT issues from 26-28 October 2010. About 160 representatives from 40 member countries and other donor agencies have participated in the workshop. The successful completion of the event has been applauded by APG and other international organisations. During FY11, AMLD has represented Bangladesh in different international conferences/ meetings/workshops related to money laundering and terrorist financing and strengthened co-operation with other countries in its drive against money laundering and terrorist financing.

10.40 Bangladesh is now in the International Co-operation Review Group process due to having 14 Non Complaint (NC) and Partially Complaint (PC) issues among 16 core and key recommendations of Financial Action Task Force (FATF) of Mutual Evaluation. To overcome this situation Bangladesh has formulated a National Coordination Committee (NCC) headed by the Finance Minister for top level policy making on AML/CFT issues, prepared a time bound National Action Plan and made high level political commitment to Financial Action Task Force (FATF) for its full implementation. Bangladesh is now in the ongoing monitoring process of ICRG instead of listed in the public statement as it has taken some proper and appropriate steps. The actions taken to comply with the ICRG process are mentioned below:

- In the cabinet meeting it was agreed in principle to enact the new Money Laundering Prevention Act, 2011.
- The draft of Anti Terrorism Act, 2009 was prepared and has been sent to Home Ministry for necessary action.
- The National Strategy Paper on Anti Money Laundering and Combating Financing of Terrorism (AML/CFT) 2011-2013 was approved by the National Coordination Committee at the 4th NCC Committee meeting on 13th April, 2011.
- The 1st draft report of Country Risk Assessment on AML/CFT has prepared.
- Money Laundering and Terrorist Financing offences were included in the schedule of Extradition Act, 1974 as extraditable offence by a gazette notification.
- A meeting was held with Bangladesh FIU, Customs Authority and other relevant agencies to amend the existing cross border declaration system in Bangladesh to address ML/TF issues. A draft declaration form was prepared in this regard.
- A notification was issued by the Bank and Financial Institutions Division, Ministry of Finance instructing all of the related agencies to share related/required information with FIU spontaneously as and when requested.
- A separate circular for Non Profit Organisation (NPO) and Non Government Organisations was issued on AML/CFT issues.

10.41 The draft of Guidance Notes for non-bank financial institutions and insurance companies on combating of Money Laundering and Terrorist Financing has been prepared and sent to relative stakeholders for comments.

10.42 Directions have been given to banks to comply with the UN Security Council Resolutions and for the proper compliance of Anti Terrorism Act, 2009.

10.43 Initiatives have been taken against those Multi Level Marketing (MLM) companies suspected to be involved in defrauding their customers.