

External Sector

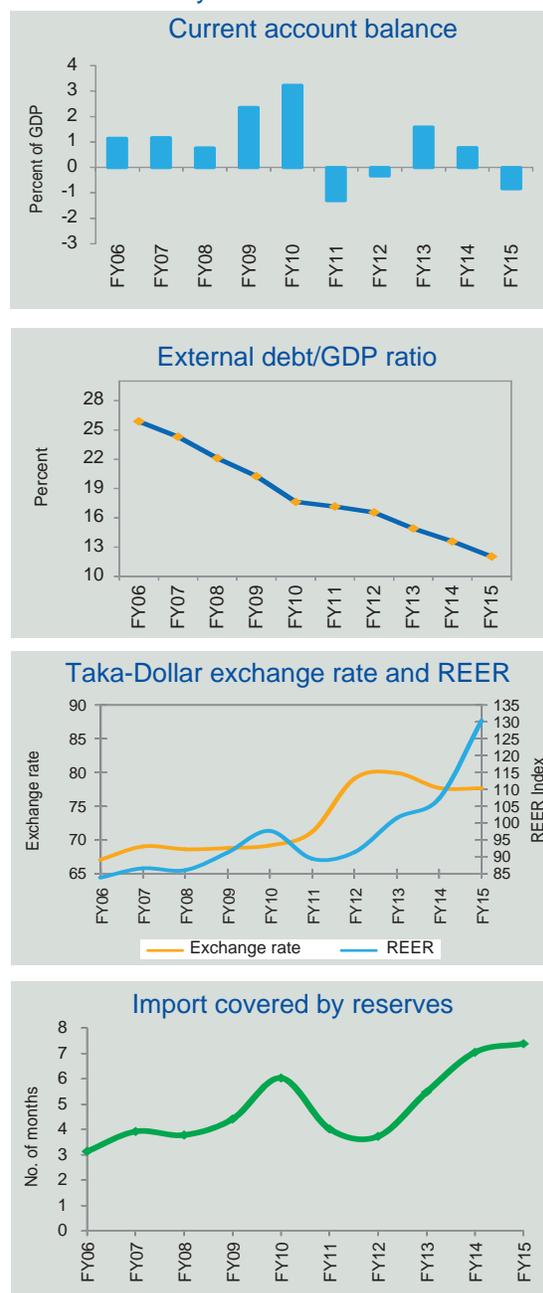
External Trade and the Balance of Payments - the Overall Situation

11.1 The current account surpluses as observed in FY13 and FY14 changed into deficit in FY15. To be more precise, the current account deficit in FY15 was USD 1645 million whereas the current account surpluses were USD 1406 million in FY14 and USD 2388 million in FY13. The shift of current account balance from a surplus to a deficit was attributable chiefly to an increase in the trade deficit, with a lesser contribution of balance of service account.

The capital and financial accounts recorded respective surpluses of USD 483 million and USD 5308 million in FY15. Within the financial account, FDI inflows of USD 1830 million and portfolio investment of USD 618 million complemented the inflow of USD 2860 million for other investments. In FY15, overall balance recorded a surplus of USD 4373 million in FY15 compared to USD 5483 million in FY14 and USD 5128 million in FY13. Foreign exchange reserve as of end of FY15 stood at USD 25 billion. Trends of some major external sector indicators are shown in Chart 11.1.

11.2 Merchandise exports (fob) increased by USD 991 million (or 3.3 percent) in FY15 to USD 30768.0 million (Appendix 3, Table XVI). Despite negative growth of petroleum by-product, tea, leather and leather products, raw jute and frozen shrimp & fish, exports of

Chart 11.1 Key indicators of external sector



footwear, engineering products and chemical products contributed significantly to increase the growth of merchandise exports in FY15 over FY14. The export of miscellaneous products, subsumed under the "others" category showed a negative growth of 0.6 percent in value terms during FY15. However, as a percentage of GDP, exports decreased by 1.4 percentage point from 17.2 percent in FY14 to 15.8 percent in FY15.

11.3 Merchandise imports (fob) increased by USD 4114 million (11.3 percent) in FY15 to USD 40685 million (Appendix 3, Table XVI). Imports of food grain, spices, pulses, crude petroleum, fertiliser, etc. grew significantly while imports of pharmaceutical products, oil seeds and sugar, etc. declined in FY15. Imports (fob) as a percentage of GDP decreased by 0.3 percentage point from 21.2 percent in FY14 to 20.9 percent in FY15.

11.4 Significant growth of gross imports along with slight export growth led to a higher trade deficit during FY15 compared with FY14. Trade deficit widened from USD 6794 million in FY14 to USD 9917 million in FY15. The deficit on the services account, however, widened significantly by USD 529.0 million (12.9 percent) to USD 4628.0 million in FY15 from USD 4099 million in FY14. The deficit of primary income accounts also widened significantly by 13.7 percent to USD 2995.0 million in FY15 from USD 2635 million in FY14. Secondary income increased (6.4 percent) from USD 14934 million in FY14 to USD 15894 million in FY15. Workers' remittances recorded 7.5 percent increase in FY15. The net outcome of all these was a current account deficit in FY15 as mentioned earlier. Current account balance as a

percentage of GDP stood at -0.84 in FY15 against 0.81 in FY14. Table XVI of Appendix-3 of this Report shows the balance of payments statement from FY09 to FY15. Chart 11.2 portrays the trends of trade, current account and overall balances as a percentage of GDP in recent years.

11.5 As a potential source of foreign exchange reserves, foreign direct investment (FDI) has been emphasised by the Government. Due to a number of perennial problems including political unrest, a notable success in this regard is yet to be seen. According to the primary estimation, net FDI inflow in Bangladesh increased by 24.1 percent to USD 1830 million in FY15 from USD 1474 million in FY14.

Exports

11.6 Table 11.1 shows that total exports in FY15 had a low growth over FY14. Aggregate exports increased by 3.4 percent in FY15 to USD 31208.9 million from USD 30186.6 million in FY14. Apparels (woven garments and knitwear products) continued to occupy an overwhelming (above four fifths) share of the export basket in FY15.

Destination

11.7 The destination pattern of exports excluding those from EPZs in FY15 showed the continued heavy dependence on the markets in Europe, 54.6 percent of exports were destined for the EU bloc while another 22.3 percent entered into the NAFTA bloc. Export to the ASEAN countries was 1.5 percent, SAARC and other regions constituted 2.1 and 19.5 percent respectively of total exports in FY15 (Chart 11.3).

Composition

11.8 **Readymade garments** (woven and knitwear): Woven and knitwear products, which fetch about 81.7 percent of total export earnings, registered a high increase in receipts from USD 24491.9 million in FY14 to USD 25491.4 million in FY15. Woven and Knitwear products showed the growth of 5.0 percent and 3.1 percent respectively in FY15 compared to FY14.

11.9 **Leather:** Export earnings from leather and leather products decreased by 13.3 percent to USD 646.7 million in FY15 from USD 745.6 million in FY14.

11.10 **Frozen food:** The frozen foods sector comprising mainly of shrimps registered a decrease in earnings during FY15. Receipt from export of shrimp and fish decreased by 7.3 percent from USD 602.6 million in FY14 to USD 558.8 million in FY15.

11.11 **Footwear:** Export earnings from footwear products increased by 22.4 percent to USD 673.3 million in FY15 from USD 550.1 million in FY14.

11.12 **Jute goods (excluding carpets):** In FY15, jute products valued at USD 757.0 million was exported against USD 698.1 million in FY14.

11.13 **Raw jute:** In FY15, raw jute valued at USD 111.6 million was exported against USD 126.4 million in FY14.

11.14 **Chemical products:** Export earnings from chemical products increased by 20.1 percent to USD 111.9 million in FY15 against USD 93.2 million in FY14.

Chart 11.2 Trends of trade, current account and overall balances

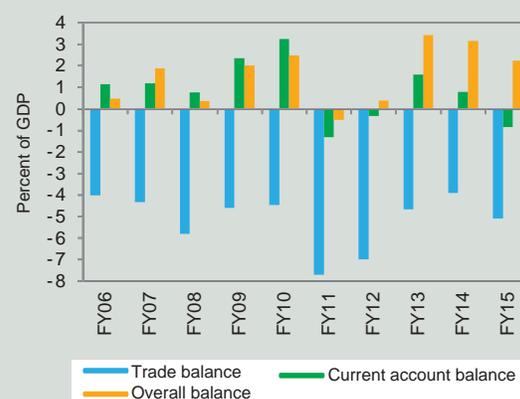


Chart-11.3 Destinal pattern of exports in FY15

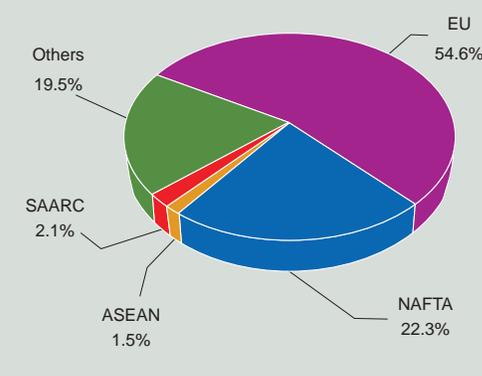


Table 11.1 Composition of merchandise exports

Items	(million US Dollar)		
	FY14	FY15	% change
1) Raw jute	126.4	111.6	-11.7
2) Jute goods	698.1	757.0	8.4
3) Tea	3.7	2.6	-29.1
4) Leather and leather products	745.6	646.7	-13.3
5) Frozen shrimps and fish	602.6	558.8	-7.3
6) Woven garments	12442.1	13064.6	5.0
7) Knitwear products	12049.8	12426.8	3.1
8) Chemical products	93.2	111.9	20.1
9) Petroleum by-product	162.3	77.6	-52.2
10) Engineering products	366.6	447.0	21.9
11) Specialised textiles	108.8	107.0	-1.6
12) Footwear	550.1	673.3	22.4
13) Others	2237.3	2224.0	-0.6
Total:	30186.6	31208.9	3.4

Source: Export promotion bureau.

11.15 **Tea:** Tea valued at USD 2.6 million was exported in FY15 against USD 3.7 million in FY14.

Export Development Fund

11.16 The Export Development Fund (EDF) commenced its operation in 1989 with the participation of International Development Association (IDA) and Government of Bangladesh (GOB) having an initial fund amounting to USD 30.16 million to provide foreign exchange refinance facilities to boost up export sector. As export posted a significant growth, the volume of the EDF fund was enhanced by Bangladesh Bank from time to time. In May 2015, the fund was enhanced to USD 2000 million from USD 1500 million to meet the growing demand of the exporters. Out of this total amount of USD 2000 million, USD 1800 million will be used for short term refinancing and the rest USD 200 million is set aside for long term financing programme which will be used with the proposed funding facilities extended by the IDA under Financial Sector Support Programme (FSSP).

The exporters avail of EDF loan for input imports against export LC/firm export contract/inland back to back L/C through Authorised Dealer (AD) banks. The EDF refinancing does not have any sort of restriction to a particular sector rather it is allowed to almost all sectors of exports. At present, exporters of textile, garments, accessories/packaging materials, plastic goods, leather goods & footwear, ceramic wares, dyed yarn, agro-food processing, bicycle, etc. are availing of EDF refinancing facilities.

A borrower-wise maximum exposure limit is followed to streamline the credit discipline. At

present, maximum USD 15.00 million is allowed to a single party except accessories & packaging and plastic goods manufacturer exporter. However, this limit is maximum USD 2.00 million for accessories and packaging and 1.00 million for plastic goods manufacturers.

The interest rate on EDF financing facilities is six month LIBOR+2.5 percent. Out of that, Bangladesh Bank's portion is LIBOR+ 1 percent and the rest of 1.5 percent is shared by commercial banks.

In general, the reimbursement from the EDF is initially made for a tenor of 180 days with a provision for further extension of 90 days, if required for delay in repatriation of related export proceeds of the exporter concerned.

On revolving basis, the total disbursement from EDF in FY15 stood at USD 3.55 billion compared to USD 2.49 billion in FY14. The outstanding balance at the end of June 2015 stood at USD 1.64 billion which was USD 1.35 billion in the previous year.

Imports

11.17 Import payments (fob) in FY15 stood at USD 40685 million (Table 11.2) registering a positive growth of 11.2 percent compared to USD 36571 million in FY14. Except raw cotton, oil seeds, sugar and milk & cream, all other importable items indulge varying degrees of increase in the aggregate imports during FY15 over FY14. Import of food grain recorded significant growth of 64.5 percent in FY15 mainly due to rise in rice import. Import payment for food grains stood at USD 1490.7 million in FY15 compared to USD 906.2 million in FY14 (rice 394.3 percent and wheat 22.3 percent). Import of other food items'

Box 11.1

Appreciation Pressure of Taka and Its Impact on Trade

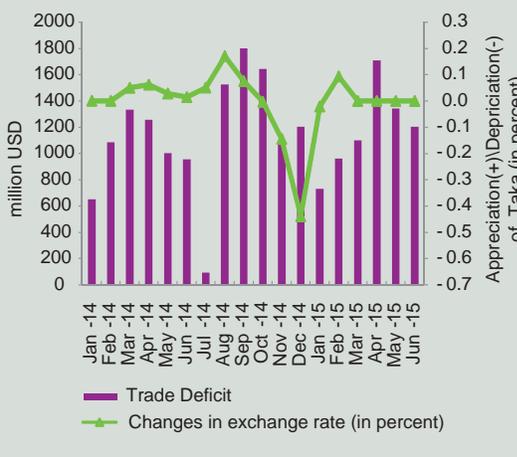
Exchange rate in Bangladesh has been determined through the demand and supply of the foreign currency since 30 May 2003. An appreciation of exchange rate accelerates imports, deteriorates exports and thus widens trade deficits. Recently in Bangladesh, exchange rate was somewhat an appreciating trend from January 2014 to September 2014, thereafter depreciating trend up to January 2015 and remained stable from March 2015 to June 2015 with a further appreciation in February 2015 (Chart 1).

During this period balance of trade responded negatively with the variations in exchange rate. It was found that trade deficit was widening over the months while exchange rate was appreciating and reached its highest level-USD 1801 million in September 2014 from a lower level-USD 652 million in January 2014 (Chart 2). Trade deficit was narrowing thereafter as exchange rate was depreciating and being stable and it stood at USD 1205 million in June 2015. In FY15, current account remained negative due mainly to the wider trade deficit originated from fluctuations in exchange rate. Therefore, stabilisation of exchange rate is essential in Bangladesh in order to boost exports and reduce trade deficit. But, exchange rate alone cannot be considered as a main factor in determination of international trade; other factors like external competitiveness, damping policies by external competitors, multilateral agreements on trade, disturbances at internal and external sectors, etc. should be considered as well.

Chart 1 : Export and import growth and changes in exchange rate



Chart 2 : Monthly trade deficit and changes in exchange rate



decreased by 3.2 percent to USD 4800.1 million in FY15 from USD 4958.0 million in FY14. Except positive growth of spices (70.5 percent) and pulses (36.3 percent) all other items showed the negative growth. Consumer and intermediate goods increased by 13.6 percent to USD 22514.4 million in FY15 from USD 19823.3 million in FY14 (crude petroleum 337.1 percent, fertiliser 42.3, POL 40.7 percent, plastic & rubber article thereof 12.6 percent, tanning and dyeing extracts 10.3 percent, etc.). All the items of capital goods and others category registered growth of 9.8 percent to USD 16385.0 million in FY15 from USD 14928.9 million in FY14 (capital machinery 17.8 percent, iron, steel & other base metal 12.6 percent and others 6.4 percent). Imports by EPZ increased by 2.0 percent to USD 3138.1 million in FY15 compared to USD 3077.0 million in FY14.

Terms of Trade

11.18 The terms of trade was 86.05 in FY15 compared to 85.89 in FY14 (base year FY06=100). Both the export price index and import price index increased by 6.0 percent and 5.8 percent respectively during the year (Chart 11.5).

Bilateral and Multilateral Relations

11.19 Bangladesh continued strengthening its foreign trade ties in FY15 through bilateral, regional and multilateral negotiations and agreements. Bangladesh participated in a number of key negotiations with a view to protecting the country's trade and economic interests.

11.20 The 144th BIMSTEC Working Group (BWG) Meeting was held at BIMSTEC Secretariat, Dhaka, on 14 September 2015.

Chart 11.4 Import growth



Table 11.2 Composition of merchandise imports payment

Items	(million US Dollar)		
	FY14	FY15 ^P	% change
A. Food grains	906.2	1490.7	64.5
1. Rice	102.8	508.1	394.3
2. Wheat	803.4	982.6	22.3
B. Other food items	4958.0	4800.1	-3.2
1. Milk & cream	280.3	277.2	-1.1
2. Spices	107.0	182.4	70.5
3. Oil seeds	453.6	374.0	-17.5
4. Edible oil	2946.3	2743.5	-6.9
5. Pulses (all sorts)	318.6	434.3	36.3
6. Sugar	852.2	788.7	-7.5
C. Consumer and intermediate goods	19823.3	22514.4	13.6
1. Clinker	633.2	638.4	0.8
2. Crude petroleum	72.3	316.0	337.1
3. POL	3371.5	4742.5	40.7
4. Chemical	1577.5	1723.7	9.3
5. Pharmaceutical products	210.8	136.9	-35.1
6. Fertiliser	940.9	1338.9	42.3
7. Tanning & dyeing extracts	543.1	599.0	10.3
8. Plastics & rubber articles thereof	1822.2	2052.3	12.6
9. Raw cotton	2464.3	2295.5	-6.8
10. Yarn	1816.9	1851.2	1.9
11. Textile & articles thereof	5360.5	5742.0	7.1
12. Staple fibre	1010.1	1078.0	6.7
D. Capital goods and others	14928.9	16385.0	9.8
1. Iron, steel & other base metal	2899.4	3265.0	12.6
2. Capital machinery	2819.1	3320.5	17.8
3. Others	9210.4	9799.5	6.4
E. Imports by EPZ	3077.0	3138.1	2.0
Total import (cif)	40616.4	45190.2	11.3
Total import (fob)	36571.0	40685.0	11.2

P = Provisional.

Source : Compiled by Statistics Department, BB using data of NBR.

Delegations led by respective High Commissioners/Ambassadors in Dhaka from Myanmar, Nepal, Sri Lanka and Thailand as well as the Secretary General of BIMSTEC participated at the meeting. The intra-regional trade and investment under the BIMSTEC FTA would be a concrete benchmark.

Workers' Remittances

11.21 The flow of inward remittances from Bangladeshi nationals working abroad regained its growth in FY15 and played an important role to increase foreign exchange reserve and strengthening the current account balance of the country. Receipts from this sector increased by 7.7 percent from USD 14228.31 million in FY14 to USD 15316.92 million in FY15 (Appendix-3 Table-XXII). Bangladesh Bank has been trying continuously to simplify the remittance distribution networks including easing approval policy of drawing arrangements between foreign exchange houses abroad and domestic banks. As a result, 39 banks have been granted permission to establish more than 1200 drawing arrangements with more than 320 exchange houses all over the world for collecting remittances. Some banks have already established 34 exchange houses/ subsidiaries abroad to collect remittances by their own.

Some Micro Finance Institutions (MFIs) have been involved for smooth delivery of inward remittances. Till 30 June 2015, 27 MFIs were allowed to perform the job of remittance distribution through their branches in remote areas.

To increase the competition among the money transmitters, commercial banks are always instructed to make the contracts with

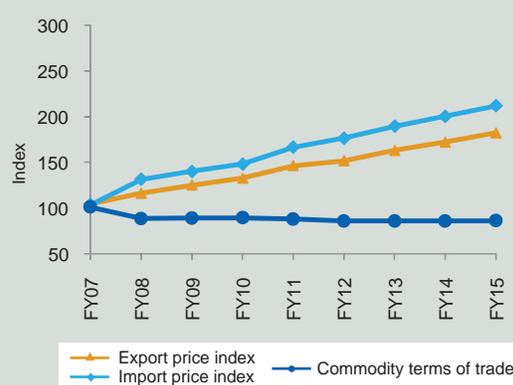
Table 11.3 Terms of trade of Bangladesh

(Base: FY06=100)

Year	Export price index	Import price index	Commodity terms of trade
FY07	104.85	103.64	101.17
FY08	116.34	131.42	88.53
FY09	125.13	140.35	89.16
FY10	132.64	148.32	89.43
FY11	146.41	166.51	87.93
FY12	151.71	176.44	85.98
FY13	163.04	189.62	85.98
FY14	172.09	200.37	85.89
FY15	182.34	211.91	86.05

Source: Bangladesh Bureau of Statistics.

Chart 11.5 Terms of trade



Multinational Money Remitters/ Exchange Houses to avoid "Pay Cash Exclusivity Clause" or any other such clauses. The share of major source countries in the remittance receipt of FY14 and FY15 are given in Chart 11.6a and 11.6b.

Foreign Aid

11.22 Total official foreign aid disbursement decreased by 3.62 percent to USD 3009 million in FY15 from USD 3122 million in FY14 (Table 11.4). Food aid disbursements

stood at USD 38 million in FY15 which was the same in FY14. The disbursement of project assistance stood at USD 2972 million in FY15, which was USD 3047 million in FY14. It is mentionable that no commodity aid was received in FY15 as in the preceding year. Total outstanding official external debt as of 30 June 2015 was USD 23489 million (12.1 percent of GDP in FY15) against USD 24388 million as on 30 June 2014 (14.1 percent of GDP in FY14). Repayment of official external debt was USD 1106 million (excluding repurchases from the IMF) in FY15, which was USD 188 million or 14.53 percent less than the repayment of USD 1294 million in FY14. Out of the total repayments, principal payments amounted to USD 924 million while interest payments was USD 182 million in FY15, against USD 1088 million and USD 206 million respectively during FY14. The debt-service ratio as percentage of exports was 3.6 percent in FY15.

Foreign Exchange Market Operations

11.23 Bangladesh Bank introduced floating exchange rate in May 2003 allowing the market to determine the exchange rate for inter-bank and customer transactions. The local foreign exchange market of the country remained fairly liquid throughout FY15 mainly because of growth of export receipts and wage earners remittances for the said period. At the end of June 2015, exchange rate of Bangladesh Taka against US dollar stood at Taka 77.80, which posted a depreciation of 0.22 percentage point from Taka 77.63 at the end of June of 2014, indicating a reasonably stable exchange rate.

Table 11.4 Foreign aid receipts and debt repayments*

Particulars	(million US Dollar)		
	FY13	FY14 ^R	FY15 ^P
1. Receipts	2811	3122	3009
i) Food aid	50	38	38
ii) Commodity aid	-	-	-
iii) Project aid	2761	3047	2972
2. Repayments (MLT)	1102	1294	1106
i) Principal	906	1088	924
ii) Interest	196	206	182
3. Outstanding external debt as of end June	22381	24388	23489
4. Outstanding debt as percentage of GDP	14.9	14.1	12.1
5. External debt services (MLT) as percentage of exports	4.2	4.1	3.6

P=Provisional, R=Revised.
*Excluding transactions with the IMF.
Source: Ministry of Finance.

Chart 11.6a Wage earners' remittances in FY14

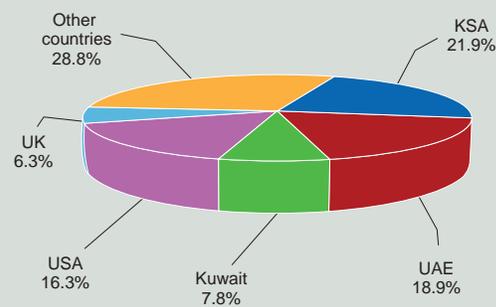
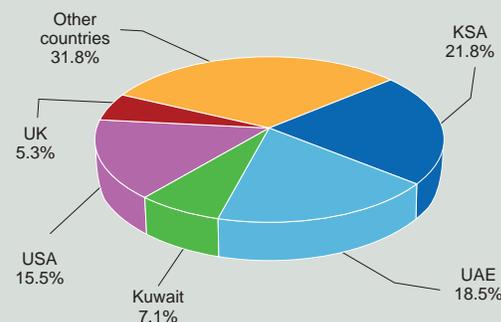


Chart 11.6b Wage earners' remittances in FY15



In FY15, the volume of inter-bank foreign exchange transactions was amounting to equivalent USD 19.5 billion including spot, forward, swap transactions, which was around 13.37 percent higher than USD 17.2 billion in FY14. Bangladesh Bank purchased a total of USD 3.4 billion from local inter-bank foreign exchange market to absorb excess liquidity as well as keeping the foreign exchange market stable against USD 5.2 billion in the preceding fiscal year.

Foreign Exchange Reserves

11.24 The gross foreign exchange reserves held by Bangladesh Bank comprises foreign exchange, holdings of gold, and Special Drawing Rights (SDR). Foreign exchange reserves grew steadily over FY15, which crossed USD 25 billion mark on 25 June 2015. At the end of FY15, reserves stood at USD 25.02 billion. Bangladesh Bank affords best efforts to maintain optimum return from foreign exchange reserve investment by diversifying the foreign asset portfolio in bonds (issued by sovereign, supranational and highly reputed foreign commercial banks), Treasury Bills and Treasury Notes of US Government and in short term deposits with internationally reputed foreign commercial banks.

Reserve Management Strategy

11.25 Bangladesh Bank's reserve management strategy and operational procedures are influenced strongly by developments in both the domestic & international financial markets as well as various key aspects of the macroeconomic policy stances. The most relevant elements of

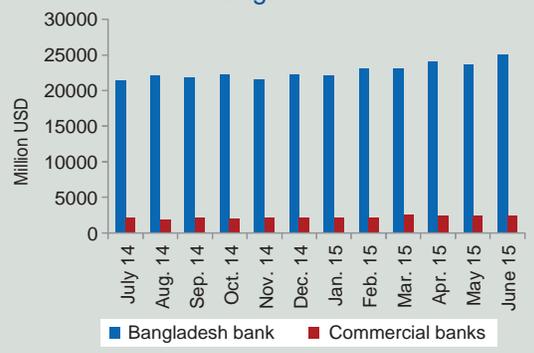
Table 11.5 Gross foreign exchange reserves of the Bangladesh Bank

(End month, million USD)

Months	FY11	FY12	FY13	FY14	FY15
July	10749	10381	10570	15534	21384
August	10992	10914	11435	16252	22070
September	10834	9884	11252	16155	21837
October	11160	10338	12340	17346	22313
November	10700	9285	11754	17106	21590
December	11174	9635	12751	18095	22310
January	10382	9386	13077	18119	22042
February	11159	10067	13848	19151	23032
March	10731	9579	13971	19295	23053
April	11316	10193	14829	20370	24072
May	10431	9520	14531	20268	23708
June	10912	10364	15315	21508	25026

Source: Accounts and Budgeting Department, BB.

Chart 11.7 Liquid foreign exchange holdings abroad



policy framework are: monetary policy, the exchange rate policy regime and external debt position. After introduction of the floating exchange rate regime in May 2003, BB has brought about significant changes in the monetary management in relation to its reserve management mechanism, which are aligned with the best international practices. Currently reserve management operations are carried out following the Reserve

Management Guidelines approved by the Board of Directors of Bangladesh Bank. Main objectives of the BB for holding foreign exchange reserves are to ensure adequate level of reserves to cover imbalances in the balance of payment, to maintain confidence in the external value of Taka, and also 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, ensuring liquidity of reserves for the purpose of exchange rate management, stimulating exports and growth, minimising exchange rate volatility and finally, managing risks prudently to preserve the nominal value of the reserves and ensuring optimum return. To contain counter party risk at minimum, BB has invested its reserves with a number of internationally reputed central and commercial banks having strong credit ratings assigned by the international rating agencies (Standard and Poor's, Moody's & Fitch). With a view to minimising exchange rate risk and ensuring the value of reserves, currency composition has been diversified among the major currencies and is being reviewed periodically to keep pace with the developments in the monetary and exchange rate policy of international arena. Investment duration and currency benchmark as set out in the Reserve Management Guidelines 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, in keeping with the stipulated liquidity restrictions and market

Table 11.6 Receipts and payments of Bangladesh under the ACU

(million US Dollar)				
Head of transaction	FY13	FY14	FY15	% change
1. Receipts (Export)	161.10 (12.53)	79.74 (6.19)	115.46 (8.99)	44.83
2. Payments (Import)	4419.54 (343.66)	5706.90 (443.03)	5748.87 (442.76)	0.73
Net: Surplus (+)/ Deficit (-)	-4258.44 (-331.13)	-5627.16 (-436.84)	-5633.38 (-438.28)	0.11

Note: Figures in parentheses indicate Taka in billion.
1 ACUD = 1 USD; 1 USD = 77.80 Taka.

Table 11.7 Outstanding principal liabilities against the facilities received from the IMF

(million SDR)				
Facility	Amount drawn/ purchased up to June 2015	Outstanding principal liability as of end June 2014	Instalment repayment in FY15	Outstanding principal liability as of end June 2015
PRGF June 2003	316.73	68.86	38.60	30.25
ECF April 2012	457.11	457.11	--	457.11
Total :	773.84	525.97	38.60	487.36

Source: Forex Reserve and Treasury Management Department, BB.

& credit risk limits, BB has diversified its portfolio investments into gold, T-bills, repos, short-term deposits, and high-rated sovereign, supranational, and corporate bonds. Bangladesh Bank has been maintaining a prudent and vigilant approach regarding placement of funds in banks and investments in securities of countries affected by Euro debt crisis.

Transactions under Asian Clearing Union (ACU)

11.26 Total transactions of Bangladesh under the Asian Clearing Union (ACU) during

FY15 increased slightly in terms of net volume compared with the preceding year. Receipts significantly increased from ACUD 79.7 million (Taka 6.19 billion) to ACUD 115.5 million (Taka 8.99 billion) and import payments slightly increased from ACUD 5706.9 million (Taka 443.03 billion) to ACUD 5748.9 million (Taka 447.26 billion) with the ACU member countries during FY15. The ACU transaction scenario shows that the overall position of Bangladesh remained a net debtor during FY15. The debtor position of Bangladesh increased by ACUD 6.2 million or 0.11 percent to ACUD 5633.4 million (Taka 438.28 billion) in FY15 compared to ACUD 5627.2 million (Taka 436.84 billion) in the preceding year. Receipts and payments of Bangladesh under ACU arrangement during the last three years are shown in Table 11.6.

Transactions with the IMF

11.27 The IMF Executive Board approved a three-year arrangement for Bangladesh under the Extended Credit Facility (ECF) in April 2012. A total amount of SDR 640.0 million is to be disbursed in seven equal installments under the facility. However, the IMF did not release any installment of ECF in FY15 while the outstanding principal liabilities of ECF stood at SDR 457.11 million as on 30 June 2015. Under the PRGF loan facility, Bangladesh repaid a total amount of SDR 38.60 million in FY15 and the outstanding principal liabilities to the IMF under PRGF stood at SDR 30.25 million at the end of FY15. The total service charges paid to the IMF during FY15 amounted to SDR 0.32 million (Table 11.7).

Changes in Foreign Exchange Regulations

11.28 Bangladesh Bank in its ongoing endeavor to ease the foreign exchange regulations embarked upon the following notable changes on exchange arrangements during FY15.

- **Remittance against purchase of software through e-Delivery:** To ease purchase of software from abroad through e-Delivery, it has been decided that ADs may be affected remittance against purchase of software through e-Delivery subject to observance of some conditions including obtaining certificate issued by Bangladesh Association of Software and Information Services (BASIS) to the effect that the purchase of software is genuine and sourced from reliable supplier, payment to duties/taxes as per assessment of National Board of Revenue, observing due diligence and complying with AML/CFT regulations in respect of the transactions, etc.
- **Releasable foreign currency amount in cash USD:** Releasable foreign currency amount in cash USD for outgoing Bangladeshi residents has been increased from USD 3,000 to USD 5,000 per person per trip from their annual entitlement applicable for personal travel quota/business travel quota/ treatment abroad/ immigration/ higher education or other special or general approved purposes. The remainder or full amount of quota can be released in other freely convertible foreign currencies in cash or in international cards.

- **Submission of return to Bangladesh Bank:** In order to bring about further ease in the routine reporting to Bangladesh Bank under the broad spectrum of foreign exchange liberalisation, it has now been decided that ADs are no longer required to submit documents in support of outward remittances that have been approved earlier by Bangladesh Bank [in terms of paragraph 1(i), chapter 5 of GFET, Vol-1]. ADs shall quote approval numbers on TM forms and submit the same with relevant schedules.
 - **Repatriation of sales proceeds of non-resident owned equity in unlisted companies purchased by residents:** For the purpose of repatriation of sales proceeds on non-resident owned equity in unlisted companies, BB would accept fair value of the share as on the date based on appropriate combination of three valuation methods: net asset value approach, market value approach, and discounted cash flow approach depending on the nature of the company. Earlier, the decisions were based on only fair value approach.
 - **Transactions in non-resident Taka accounts:** Subject to approval/reporting requirements [in form A-7], BB has allowed debits to balances in Non-resident Taka Accounts (NRTA) for outward remittances towards (i) subsistence expenses of individual account holders and their family member in their country of residence and (ii) current payment abroad by institutional account holders for permissible procurement of goods and services from abroad.
- Anti-money Laundering Surveillance**
- 11.29 Bangladesh Financial Intelligence Unit (BFIU) took various initiatives and steps to prevent money laundering and financing of terrorism throughout the country in FY15.
- Reporting Agencies and their Regulatory Regime**
- BFIU issued circulars for the scheduled banks and financial institutions for proper compliance of the instructions regarding prevention of Money Laundering (ML) & Terrorist Financing (TF) on 28/12/2014 and 29/06/2015 respectively.
 - BFIU circulated Money Laundering and Terrorist Financing Risk Assessment Guidelines for Banking Sector on 08/01/2015 instructing all the banks to assess the associated risk of ML/TF regarding their respective banks. Meanwhile all the scheduled banks submitted their own risk assessment report and BFIU vetted the same.
- Receiving Suspicious Transaction Report (STR) and dissemination of the same**
- BFIU received 1182 Suspicious Transaction Reports (STRs) during FY15. After analysing them, BFIU disseminated 67 reports to Anti-Corruption Commission (ACC) and Criminal Investigation Department (CID), Bangladesh Police for their necessary actions. BFIU has been monitoring the status of these cases from time to time.

Initiatives Taken for Strengthening BFIU

- BFIU has started to use the National ID card database of Election Commission (EC) to verify the authenticity of the ID card in its analysis process. Currently BFIU has taken initiatives to get access to birth and death registration database, and passport database.
- BFIU has started to use the database of Credit Information Bureau (CIB), Bangladesh Automated Clearing House (BACH) and Dash Board of Bangladesh Bank (import, export, travel and miscellaneous and inward remittance) in its analysis process.

National Initiatives

- A high level committee headed by the Head of BFIU and Deputy Governor of Bangladesh Bank has formulated the National Strategy for Preventing Money Laundering and Combating Financing of Terrorism 2015-2017 which has been approved by the National Coordination Committee (NCC) on AML/CFT.
- BFIU, NGO Affairs Bureau, Microcredit Regulatory Authority and Department of Social Services, Government of Bangladesh are currently working on the ML/TF risk assessment regarding the

NGO/NPO sector. The detailed report is currently under review process and will be made public very soon.

International Cooperation and Initiatives

- Bangladesh Financial Intelligence Unit has signed 35 (till June 2015) Memorandum of Understanding (MoU) so far to exchange of information related to ML/TF with other FIUs, among them nine MoU were signed in FY15 (Vietnam, Morocco, Bahrain, Brunei-Darus Salam, Russia, Fizi, Kyrgyzstan, Panama and Barbados).
- BFIU has been nominated as the Regional Representative (RR) for 25 countries in Asia Pacific Region of EGMONT Group on 29 January 2015. The decision was taken at the meeting of Egmont Committee (EC) and Working Group (WG) Meetings and Regional Meetings and Head of FIUs and Observers Intercessional Meeting held during 25-30 January 2015 in Berlin, Germany. BFIU will perform the role of RR for the term of January 2015 to June 2017. As the RR of the Asia Pacific Region, BFIU will coordinate the respective issues of Egmont Committee (EC) and Working Group (WG) with the member FIUs of the region.