

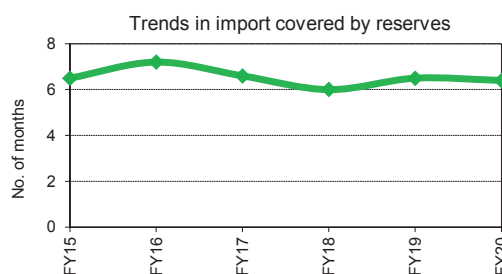
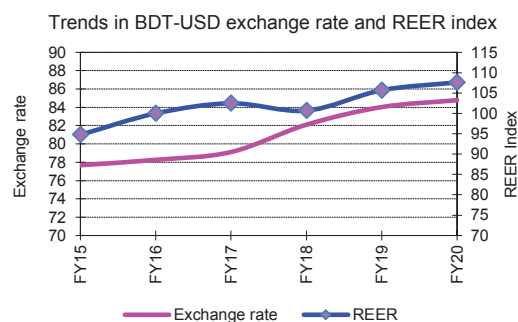
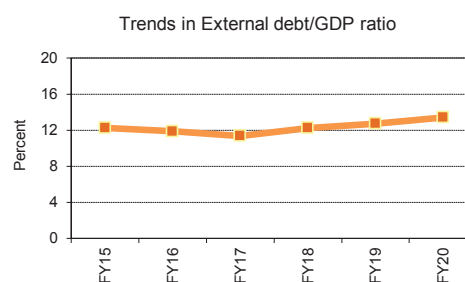
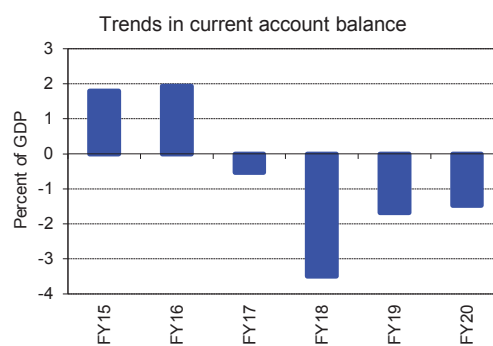
External Sector

External Trade and the Balance of Payments

11.1 In 2020, global trade experienced sharp decline of -11.9 percent compared to the previous year due to weaker demand for goods and services, come off in cross-border tourism and supply dislocations related to shutdowns (exacerbated in some cases by trade restrictions). Following COVID-19 pandemic, the global labour market has been affected badly specially for low-skilled workers who do not have the option to continue their works from home. According to the world economic outlook, among approximately two billion informally employed workers worldwide, the International Labour Organization estimates about 80.0 percent have been significantly affected. In FY20, external sector of Bangladesh has affected seriously due to the COVID-19 pandemic.

11.2 The current account deficit stood at 1.5 percent of GDP in FY20 which was 1.7 percent of GDP in FY19. Nominal exchange rate stood at BDT 84.78 as of end June 2020 compared to BDT 84.03 as of end June 2019 (period average). The nominal effective exchange rate (NEER) of BDT, calculated against a trade weighted 15 currency basket (base: FY16=100), appreciated by 2.6 percent in FY20. Similarly, the real effective exchange rate (REER) of BDT appreciated by 1.8 percent in FY20. Foreign exchange reserve stood at USD 36.0 billion at the end of June 2020. However, the reserve coverage of imports decreased but remains broadly adequate at around 6.4 months of prospective imports. Outstanding external debt stock of Bangladesh increased at the end of

Chart 11.1 Key Indicators of External Sectors



Source: SD, BB.

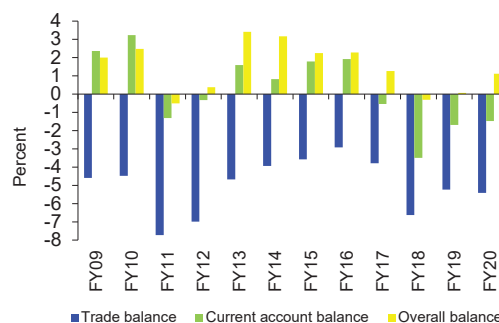
FY20. The outstanding external debt to GDP ratio increased to 13.4 percent in FY20 from 12.7 percent in FY19. The overall scenario of major external sector indicators in FY20, are shown in Chart 11.1.

Balance of Payment

11.3 Comparatively lower export growth than import growth led to the increase in trade deficit in FY20 compared to the FY19. The trade deficit grew by 12.8 percent to USD 17861 million during FY20 compared to the deficit of USD 15835 million in FY19. The deficit in both services account and primary income decreased to USD 2987 million (6.0 percent) and USD 2776 million (7.3 percent) respectively in FY20. However, secondary income significantly increased by 11.1 percent from USD 16903 million in FY19 to USD 18775 million in FY20 due to dramatically increase in private transfers mostly workers' remittances. As a result the deficit of current account declined to USD 4849 million in FY20 which was USD 5102 million in FY19. The decrease in current account deficit was mainly happened due to the decline deficit in primary Income and services account and the increase in surplus in secondary income. The balance in the capital account and financial account increased to USD 256 million and USD 7658 million respectively in FY20 from USD 239 million and USD 5907 million respectively in FY19. The net outcome of all these made the overall balance a surplus of USD 3655 million in FY20 compared to a surplus of USD 179 million in FY19 (Table XVI of Appendix-3).

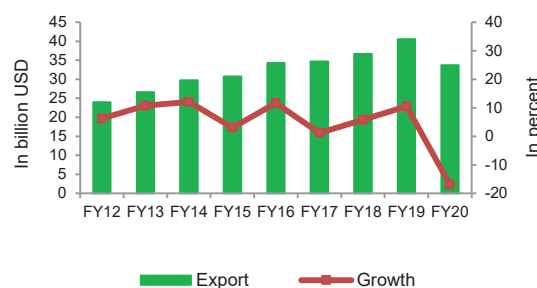
11.4 Foreign Direct Investment (FDI) has played a positive role for developing the Bangladesh economy. FDI is limited but it has various uses in the different sector of our economy. As a potential source of

Chart 11.2 Trends in Trade, Current Account and Overall Balances



Source: SD, BB.

Chart 11.3 Trends in Export Earnings



Source: EPB.

foreign exchange reserves, FDI needs to be encouraged. FDI has been emphasized by the Government in its 7th five year plan and has undertaken various policies for adequate incentives in attracting foreign investors. However, net FDI inflow decreased significantly by 42.5 percent to USD 1510 million in FY20. On the other hand, portfolio investment increased significantly by 61.4 percent to USD 276 million in FY20 compared to USD 171 of preceding year (Table XVI of Appendix-3).

11.5 Merchandise exports (fob) decreased by 17.1 percent to USD 32830 million and imports (fob) also decreased by 8.6 percent to USD 50691 million in FY20 (Chart 11.3). The balance of payments position is given in Table XVI of Appendix-3.

Exports

11.6 Due to COVID-19, export earnings drastically decreased by 16.9 percent to USD 33674.1 million in FY20 from USD 40535.0 million in FY19 (Table 11.1). Readymade Garments (woven garments and knitwear products) continued to occupy a lion share (above four fifths) of the total export.

Composition of Exports

11.7 Ready Made Garments (woven and knitwear): Woven and knitwear products, which accounts for about 83.0 percent of total export earnings, registered a decrease in receipts from USD 34133.3 million in FY19 to USD 27949.2 million in FY20. Woven and Knitwear products showed a sharp decrease of 18.6 and 17.6 percent respectively in FY20 compared to FY19.

11.8 Leather: During FY20, export earnings from leather and leather products decreased by 22.6 percent to USD 318.9 million in FY20 from USD 411.9 million in FY19.

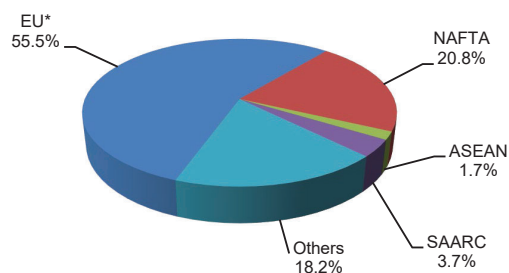
11.9 Frozen food: Earnings from frozen foods comprises mainly of shrimps, decreased during FY20. Shrimp and fish valued at USD 407.9 million were exported in FY20, against USD 425.0 million in FY19.

11.10 Footwear: Export earnings from footwear products stood at USD 755.9 million in FY20 from USD 879.4 million in FY19.

11.11 Chemical Products: Chemical products export earning stood at USD 198.9 million in FY20 against USD 205.2 million in FY19.

11.12 Tea: During FY20 export earnings from tea increased by 10.6 percent compared to the previous fiscal year's growth.

Chart 11.4 Destinal Pattern of Exports in FY20



*Including Great Britain
Source: EPB and SD, BB.

Table 11.1 Composition of Merchandise Exports

Items	(In million USD)		
	FY19	FY20	% change
1) Raw jute	112.5	129.9	15.5
2) Jute goods	703.8	752.5	6.9
3) Tea	2.8	3.1	10.6
4) Leather and leather products	411.9	318.9	-22.6
5) Frozen shrimps and fish	425.0	407.9	-4.0
6) Woven garments	17244.7	14041.2	-18.6
7) Knitwear products	16888.5	13908.0	-17.6
8) Chemical products	205.2	198.9	-3.1
9) Petroleum by-product	203.7	23.5	-88.5
10) Engineering products	341.3	292.9	-14.2
11) Specialised textiles	143.9	116.0	-19.4
12) Footwear	879.4	755.9	-14.0
13) Others	2972.3	2725.5	-8.3
Total:	40535.0	33674.1	-16.9

Source: EPB.

11.13 Jute goods (excluding carpets): Export earnings from jute goods increased by 6.9 percent to USD 752.5 million in FY20 from USD 703.8 million in FY19.

11.14 Raw jute: In FY20, raw jute increased by 15.5 percent to USD 129.9 million compared to USD 112.5 million in FY19.

Destination of Exports

11.15 An important feature of export diversification is the geographical diversity of export destination countries. By looking at the share of different regions, it is observed that over the years Bangladesh's exports to NAFTA,

SAARC and ASEAN+3 regions increased but it decreased in EU and others region. In FY20, 55.5 percent (56.4 percent in FY19) of exports were destined for the EU area while 20.8 percent (20.8 percent in FY19) entered into the NAFTA bloc. Exports to the SAARC, ASEAN and other countries were 3.7, 1.7 and 18.2 percent respectively of the total exports in FY20 (Chart 11.4).

Export Development Fund (EDF)

11.16 The 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. On 7 April, 2020 the fund was further enhanced to USD 5.00 billion from 3.50 billion to facilitate export trade due to overcome the COVID-19 related disruptions in export business.

11.17 The direct as well as deemed exporters may avail EDF loan for input imports against export LC/firm export contract/inland back to back L/C through Authorized Dealer (AD) banks. Type C industries in export processing zone (EPZ) can also avail EDF loan against back to back import L/Cs for input procurements.

11.18 To overcome the loss of export due to recent COVID-19 related pandemic/ disruption, a number of policies have been declared by Bangladesh Bank in line with Government incentive packages. Important policy support includes lowering the EDF interest rate to 2.0 percent from USD LIBOR+1.50%. A new

Table 11.2 Composition of Merchandise Imports (based on customs records) (million USD)

Items	FY19	FY20 ^P	% changes
A. Food grains	1551.6	1672.0	7.8
1. Rice	115.1	21.5	-81.3
2. Wheat	1436.5	1650.5	14.9
B. Other food items	4312.6	4887.9	13.3
1. Milk & cream	360.8	341.2	-5.4
2. Spices	327.1	351.1	7.3
3. Oil seeds	796.4	1182.7	48.5
4. Edible oil	1656.3	1617.3	-2.4
5. Pulses (all sorts)	469.5	662.2	41.0
6. Sugar	702.5	733.4	4.4
C. Consumer and intermediate goods	27565.7	25732.9	-6.6
1. Clinker	993.3	878.6	-11.5
2. Crude petroleum	415.5	730.9	75.9
3. POL	4561.5	4626.6	1.4
4. Chemical	2472.0	2533.4	2.5
5. Pharmaceutical products	245.9	293.8	19.5
6. Fertiliser	1301.4	1035.2	-20.5
7. Tanning & dyeing extracts	779.2	697.3	-10.5
8. Plastics & rubber articles thereof	2757.2	2609.8	-5.3
9. Raw Cotton	3082.2	2960.6	-3.9
10. Yarn	2444.9	1901.0	-22.2
11. Textile & articles thereof	7284.4	6380.2	-12.4
12. Staple fibre	1228.2	1085.5	-11.6
D. Capital goods and others	10658.9	8578.3	-19.5
1. Iron, steel & other base metal	5246.3	4997.0	-4.8
2. Capital machinery	5412.6	3581.3	-33.8
E. Others	15825.9	13913.6	-12.1
Total Import (cif)	59914.7	54784.7	-8.6
Of which EPZ	4031.5	3487.7	-13.5
Total Import (fob)	55438.5	50691.0	-8.6

^P Provisional

Source: Compiled by SD, BB using data of NBR.

window has been opened for settlement of import payments against back to back L/Cs under supplier's/ buyer's credit for which extension of usance period/ refinancing for extendable tenure is not available.

11.19 A borrower-wise maximum exposure limit of EDF is followed to streamline the credit discipline. At present, maximum USD 30.00 million is allowed to a single party against member mills of BGMEA and BTMA. However, this limit is maximum USD 20.00 million for knitwear, USD 20.00 million for leather goods

& footwear and 15.00 million for ceramic wares, dyed yarn and USD 2.00 million for accessories and packaging and USD 1.00 million for plastic goods manufacturers and USD 0.50 million for exporters irrespective of sectors.

11.20 In general, the reimbursement from the EDF is initially made for a tenor of 180 days with a provision for further extension up to 90 days, if requires for delay in repatriation of related export proceeds of the exporter concerned. But for pandemic situation it can be extended for further 180 days from the maturity date.

11.21 On revolving basis, the total disbursement from EDF in FY20 stood at USD 6.18 billion which was USD 6.08 billion in FY19. The outstanding balance at the end of June, 2020 stood at USD 4.45 billion which was USD 3.29 billion in corresponding time of the previous year. A total number of 56 banks availed EDF refinancing facilities and the total number of borrowers was 1348 at the end of June, 2020.

Imports

11.22 Due to COVID-19, imports (fob) stood at USD 50691 million in FY20 which was 8.6 percent lower than the previous FY19. Import of food grains achieved a higher growth of 7.8 percent in FY20 mainly due to wheat import. Import for other food items increased by 13.3 percent to USD 4887.9 million in FY20 from USD 4312.6 million in FY19. Import of oil seeds and pulses (all sorts) recorded a significant growth of 48.5 percent and 41.0 percent respectively in FY20. Except negative growth of milk and cream (5.4 percent) and edible oil (2.4 percent) all other food items of imports showed positive growth. Consumer and intermediate goods achieved at USD 25732.9 million in FY20 from USD 27565.7 million in FY19. For the pandemic

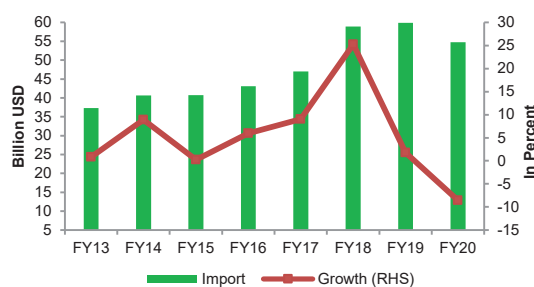
Table 11.3 Trends in Terms of Trade of Bangladesh

(Base FY06=100)

Year	Export price index	Import price index	Commodity terms of trade
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	182.40	212.37	85.89
FY16	195.95	224.94	87.11
FY17	206.61	237.18	87.11
FY18	214.31	246.03	87.11
FY19	225.95	259.38	87.11
FY20	237.28	277.03	85.65

Source: BBS.

Chart 11.5 Trends in Imports Recorded at Customs



Source: Compiled by SD, BB using data of NBR.

situation, all items of capital goods and others categories recorded at USD 8578.3 million in FY20 which was lower than the previous fiscal year. Imports by EPZ decreased by 13.5 percent to USD 3487.7 million in FY20 compared to USD 4031.5 million in FY19 (Table 11.2).

Terms of Trade

11.23 The terms of trade was 85.65 in FY20 which was 87.11 in FY19. The export price index and the import price index grew 5.01 percent and 6.80 percent respectively during the year (Table 11.3).

Workers' Remittances

11.24 Inward remittances from Bangladeshi nationals working abroad continued to play a vital role in strengthening the current account balance. Remittance receipts increased by 10.9 percent to USD 18205.01 million in FY20 from USD 16419.63 million in FY19.

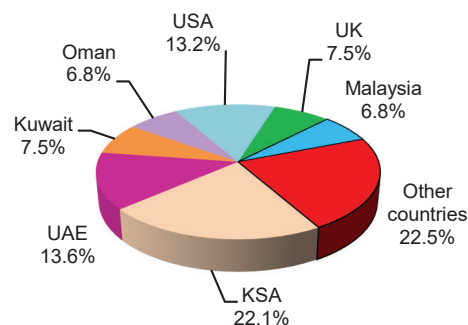
11.25 Due to government incentive, simplification of sending remittances in formal channel and different supportive policy regarding remittances helped expatriates to increase remittance inflows again. To facilitate the formal channel, Bangladesh Bank reduced the security deposit requirement for the exchange houses abroad to establish drawing arrangement with local banks. Presently, commercial banks have 1312 drawing arrangements with more than 334 exchange houses all over the world for collecting remittances.

11.26 During FY20, the highest amount (22.06 percent) of remittances came from Saudi Arabia followed by the United Arab Emirates (UAE) (13.58 percent), United States of America (13.20 percent), Kuwait (7.54 percent), United Kingdom (7.50 percent), Oman (6.81 percent) and Malaysia (6.76 percent). All other countries contributed to 22.55 percent of total remittance over the same period. Country wise remittances inflow in FY20 is shown in Chart 11.6.

Foreign Aid

11.27 Total official foreign aid receipts increased by 11.1 percent and stood at USD 7272.0 million in FY20 from USD 6542.6 million received in FY19 (Table 11.4). Total foreign aid commitment was USD 9554.4 million during FY20. In FY20, there was no food aid

Chart 11.6 Country Wise Wage Earners' Remittances in FY20



Source: SD, BB.

disbursement, though the disbursement was USD 22.6 million in FY19. The disbursement of project aid stood at USD 7272.0 million in FY20 which was USD 6520.0 million in FY19.

11.28 Total outstanding official external debt as of 30 June 2020 stood at USD 44202.2 million (13.4 percent of GDP in FY20) against USD 38475.5 million as of 30 June 2019 (12.7 percent of GDP in FY19). Repayment of official external debt and services amounted to USD 1726.2 million (excluding repurchases from the IMF) in FY20 which was USD 132.4 million or 8.3 percent higher than the repayment of USD 1593.8 million in FY19. Out of the total repayments, principal repayments amounted to USD 1269.5 million while interest repayments stood at USD 456.7 million in FY20, against USD 1202.3 million and USD 391.5 million respectively in FY19. The debt service payment as percentage of exports stood at 5.3 percent in FY20 which was 4.0 percent in FY19.

Foreign Exchange Market Operations and Exchange Rate Movements

11.29 During FY20, BB sold USD 835 million in the local inter-bank market while BB purchased USD 877 million. BB's proactive

foreign exchange liquidity management and supervision ensured stability and smooth market activities throughout the FY20.

Foreign Exchange Reserves

11.30 BB's gross foreign reserves comprises major currencies (G-7), gold and Special Drawing Rights (SDR). At the beginning of FY20 foreign exchange reserves was USD 32.74 billion which rose to USD 36.03 billion at the end of the year.

11.31 Through diversifying the foreign asset portfolio into bonds (issued by sovereign, supranational and highly rated foreign commercial banks), US Government Treasury Bills and Notes, and short-term deposits with globally reputed foreign commercial banks, BB puts best efforts to ensure optimum return on foreign exchange reserve investments. BB is also active in the New York Fed's Repo process which yields fair returns at a very low-risk rate. Moreover, BB offers foreign exchange refinance schemes to local exporters through the Export Development Fund (EDF) and the Green Transformation Fund (GTF). In addition, with the assistance of the International Development Association (IDA), BB provides long-term support to Bangladesh's manufacturing sector through a separate window called the Long Term Financing Facility (LTFF).

Reserve Management Strategy

11.32 BB's reserve management strategy and operational procedures were strongly influenced by developments in both domestic and international financial markets as well as various key aspects of macroeconomic policy stances. The most important elements of the policy framework are - the monetary policy structure, the exchange rate policy and

Table 11.4 Foreign Aid Receipts and Debt Repayments*

Particulars	(million USD)		
	FY18	FY19 ^R	FY20 ^P
1. Receipts	6369.4	6542.6	7272.0
i) Food aid	13.5	22.6	0.0
ii) Project aid	6355.9	6520.0	7272.0
2. Repayments (MLT)	1409.2	1593.8	1726.2
i) Principal	1110.4	1202.3	1269.5
ii) Interest	298.8	391.5	456.7
3. Outstanding external debt as of end June	33511.8	38475.5	44202.2
4. Outstanding debt as percentage of GDP	12.2	12.7	13.4
5. External debt services (MLT) as percentage of exports	3.9	4.0	5.3

^P Provisional, ^R Revised.

*Excluding transactions with the IMF.

Source: ERD, MoF.

Table 11.5 Trends in Gross Foreign Exchange Reserves of Bangladesh Bank

Months	(End month, in million USD)				
	FY16	FY17	FY18	FY19	FY20
July	25469	30039	32994	32106	32093
August	26175	31165	33596	32927	32776
September	26379	31386	32817	31958	31832
October	27058	31895	33453	32078	32438
November	26408	31371	32624	31056	31729
December	27493	32092	33227	32016	32689
January	27139	31724	32695	31280	32382
February	28059	32557	33369	32236	32803
March	28266	32215	32402	31787	32389
April	29106	32519	33096	32123	32928
May	28803	32246	32349	31345	33226
June	30168	33493	32944	32717	35853

Source: A&BD, BB.

regime, the external debt situation, and the geopolitical scenario. Currently, the reserve management operations of BB are carried out following the Reserve Management Guidelines (RMG) approved by the Board of Directors of BB. Generally, reserves are held to absorb external shocks, to ensure smooth payment obligations and to maintain the stability of the domestic currency. To contain counterparty risks at a minimum level, BB maintains current account with major central banks and invests in money market through commercial banks having strong credit ratings assigned by the

international rating agencies (e.g. Standard and Poor's, Moody's and Fitch). To minimize exchange rate risk and ensure 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 international monetary and exchange rate policy. Reserves have been divided into two tranches viz: liquidity tranche and investment tranche to meet payment obligations of government and others by maintaining adequate liquidity and generate optimum returns.

11.33 Investment duration and currency benchmark, as set out in the RMG, are carefully followed to minimize interest rate risks and exchange 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 line with the stipulated liquidity restrictions and market & credit risk limits, BB diversified its portfolio investments into gold, T-bills, repos, short-term deposits, and high-rated sovereign, supranational, and corporate bonds. BB has always been maintaining a prudent and vigilant approach regarding the placement of funds with reputed overseas commercial banks and investments in securities out of its foreign exchange reserves.

Transactions under the Asian Clearing Union (ACU)

11.34 Transactions with ACU (Asian Clearing Union) member countries during FY20 substantially decreased in terms of net volume compared to the preceding year. Receipts though slightly increased from ACUD 193.54 million to ACUD 194.12 million, payments

Table 11.6 Receipts and Payments of Bangladesh Under the ACU

(million USD)				
Head of transaction	FY18	FY19	FY20	% change
1. Receipts	189.21 (1584.09)	193.54 (1635.37)	194.12 (1648.08)	0.30%
2. Payments	8088.52 (67718.48)	7,042.90 (59512.52)	5,680.90 (48230.83)	-19.34%
Net: Surplus (+)/ Deficit (-)	-7,899.31 (-66,134.39)	-6,849.36 (-57,877.15)	-5,486.78 (-46,582.75)	-19.89%

1. Figures in parentheses indicate amount of taka in crore
2. Closing Weighted Average Exchange rate as of 30-06-2020 i.e. USD/BDT = 84.9000

Source: FRTMD, BB.

Table 11.7 Outstanding Principal Liabilities against the Facilities Received from the IMF

(million SDR)				
Facilities	Amount drawn/ purchased up to June 2020	Outstanding principal liabilities as of end June 2019	Installment Repayment in FY20	Outstanding principal liabilities as of end June 2020
ECF	639.96	557.6793	91.4230	466.2563
RFI	355.53	Nil	Nil	355.53
RCF	177.77	Nil	Nil	177.77
Total	1173.26	557.6793	91.4230	999.5563

Source: FRTMD, BB.

decreased by 19.34 percent to ACUD 5,680.90 million during the period. In ACU transaction scenario, the overall position of Bangladesh remained a net debtor during FY20. Transactions with ACU member countries during the last three years are shown in Table 11.6.

Transactions with the IMF

11.35 The IMF Executive Board approved a total amount of SDR 639.96 million a three-year arrangement for Bangladesh under the Extended Credit Facility (ECF) in April 2012. Bangladesh has already received the full amount of ECF. The last installment of ECF was received in October 2015. Recently, IMF Executive has approved an amount of SDR 355.53 million under the Rapid Financing Instrument (RFI) and a disbursement of SDR 177.77 million under the Rapid Credit Facility

(RCF) on 29 May 2020 for Bangladesh. Bangladesh has drawn total amount of SDR 355.53 million for RFI and SDR 177.77 million for RCF up to June, 2020. The repayment of ECF was started in October, 2017. During FY20 the total amount of repayment of ECF stood at SDR 91.4230 million. The total principal outstanding liability of ECF to the IMF stood at SDR 466.2563 million at the end of FY20 (Table 11.7). The service charge paid to the IMF amounted of SDR 5.6992 million in FY20. Total outstanding to the IMF stood at SDR 999.56 million at the end of June, 2020. Under the 14th General Review of Quotas, Bangladesh's Quota in the IMF is SDR1066.6 million.

Major Changes in Foreign Exchange Regulations

11.36 During FY20, Bangladesh Bank in its ongoing endeavor to further ease the foreign exchange regulations embarked upon the following notable changes :

- **Adjustments of bank charges associated with refund transactions:** Bank charges associated with refund transactions are treated as usual charges. To accommodate usual bank charges deducted while on refund transactions, it has been decided to allow such normal bank charges (at actual) to resolve cases of unmatched overdue bill of entry. Authorized Dealers (ADs) are advised to apply to Bangladesh Bank for recording the refund and deducted bank charges information under the menus of 'Refund' and 'Bank Charges' respectively against the concerned IMP (form) reported earlier to the Online Import Monitoring System(OIMS).
- **Transactions from private foreign currency (PFC) account for trade settlement:** Funds from PFC accounts may be used for payment of admissible imports in terms of Import Policy Order in force. Payment for legitimate services is also admissible, subject to compliance of regulations on taxes deduction. Balances held in this accounts may also usable for payment in advance against import of legitimate goods and services.
- **Enhancement of private travel entitlement of foreign exchange:** It has been decided to enhance private travel entitlement to USD 12,000 or equivalent per adult passenger during a calendar year without limiting to regions or countries of travel. Other instructions regarding release of foreign exchange for travel abroad will remain unchanged.
- **Cash incentive on wage earners remittance:** The government announced 2% cash incentive for foreign currency to be remitted through banking channel into the country. The objective of providing cash incentives is to stimulate wage earners and remitters to continue flow of foreign remittances in larger volume to contribute the ongoing economic development of the country. The cash incentive would be effective from 1 July, 2019. Foreign remittances worth of USD 5,000 (Five Thousand) or BDT 5,00,000 (half million) will not require any documents to receive incentive.
- **Discounting of direct and deemed export bills in foreign exchange:** Guidelines for Foreign Exchange Transaction (GFET), (2018) restricted

placement of fund by offshore banking operation to domestic banking unit. In accordance with the revised instructions regarding offshore banking operation, general authorization for arrangement of fund through OBUs contained in shall stand revoked.

- **Working capital loans from abroad by foreign owned/controlled companies:** Foreign owned/controlled companies engaged in manufacturing activities may pay interest on short term loans extended by parent companies/shareholders abroad in their home currency subject to observance of some instructions.
- **Outward remittances on account of IT expenses through digital wallet:** ADs may release IT expenses within the limit of USD 500 on behalf of individual developers/freelancers through their notional accounts (digital wallet) maintained with Online Payment Gateway Service Providers (OPGSPs) in accordance with FE Circular.
- **Repatriation of export proceeds through online payment gateway service providers:** It has been decided to enhance the maximum limit per transaction to USD 10,000 from USD 5,000 to repatriate remittances against small value service exports in non-physical form.
- **Cash incentive against exports for the FY20:** Government announced cash incentive favoring 35 items of shipping goods for the FY20 to foster the export growth of the country.
- **Export subsidy against export of consumer electronics, electrical home and kitchen appliances:** Government announced export subsidy against export of Consumer Electronics, Electrical Home and Kitchen Appliances to encourage export trade of the country. Necessary instructions and criteria for receiving the subsidy have been elucidated.
- **Release of foreign exchange for attending seminar, conference, workshop, training etc. abroad:** For the convenience of private sector participants for attending seminar, conference, workshop, training etc. abroad irrespective of countries or regions ADs are allowed to release foreign exchange to them at the scale up to USD 400 per diem.
- **Not to open Letter of Credit (L/C) in favor of importers without the new 13-digit BINs:** According to the statement of NBR (National Board of Revenue) on 29 September 2019, it has been decided that ADs shall not issue L/C favoring any importer without 13-digit BIN (Business Identification Number).
- **Release of foreign exchange for performing Umrah Hajj:** Authorized Dealers (ADs) may affect outward remittances, on behalf of Umrah Hajj agents licensed by the Ministry of Religious Affairs, to official Umrah Hajj service agents/providers at Kingdom of Saudi Arabia (KSA) against their Umrah Hajj packages sold to intending pilgrims for performing Umrah Hajj, subject to observance of the several instructions.

- **Limit of EDF to leather goods and footwear industrial sectors:** It has been decided that ADs can borrow fund from EDF against their loans to manufacturer-exporters of leather goods and footwear industrial sectors for input procurement up to maximum single borrower limit of 20 million USD.
- **Interest rate on borrowing from EDF:** To facilitate export trade, it has been decided that interest rates on EDF loans to ADs will be charged by Bangladesh Bank at six-month USD LIBOR + 0.50%, while ADs will charge interest to manufacturer-exporters at six-month USD LIBOR + 1.50%; for disbursements until 30 June, 2020 from the date of this circular.
- **Enhancement of loan limit from EDF:** It has now been decided to enhance the limit of foreign currency financing to manufacturer-exporters for input procurement from USD 15.00 million to USD 20.00 million for member mills of BKMEA.
- **Interest rate on borrowing from Export Development Fund (EDF):** To facilitate export trade due to COVID-19 related disruptions in super cession of the FE Circular No. 45, dated 31 December, 2017 relating to interest rates, it has been decided that interest rates on EDF loans to ADs will be charged by Bangladesh Bank at 1.00% pa, while ADs will charge interest to manufacturer-exporters at 2.00% pa; for disbursements until further instructions.
- **Advance payment against imports-liberalization/relaxation:** To facilitate import transactions, it has now been decided to enhance advance payment against imports-liberalization/relaxation limit to USD 10,000.00 from USD 5,000.00 or equivalent other foreign currency.
- **Use of international cards (IC) from Bangladesh for online payments abroad:** It is advised that ADs shall take necessary arrangements to guard against illegitimate online payments abroad through ICs from Bangladesh like payments for participating in online casino/gambling, trading in forex/stock exchanges, purchase of crypto currencies/lottery ticket, purchase of goods/services originated in Bangladesh, etc.
- **Transfer of remunerations to foreign currency (FC) accounts in the names of foreign nationals employed in branch offices/liaison offices of foreign companies in Bangladesh:** To facilitate payment of remuneration, it has been decided that net income of foreign nationals employed in branch offices/liaison offices of foreign companies duly approved by BIDA may be credited to their FC accounts maintained and operated in terms of GFET, 2018 subject to following some instructions.
- **Foreign exchange transactions for IT/software firms:** It has been decided to enhance the limit of outward remittance to USD 40,000 from USD 30,000 including international card facility up to USD 8,000 for IT/software firms who are members of

BASIS to meet their bonafide business expenses in a calendar year.

- **Import and export of currency notes:** Bangladesh Bank enhanced the limit of foreign currency to USD 10,000 or its equivalent from USD 5,000 with incoming passengers without declaration to the Customs Authorities bringing in if foreign currency is permissible while the concerned person are landing in Bangladesh from abroad.
- **Transfer of remunerations to foreign currency (FC) accounts in the names of foreign nationals employed in EPZ/EZ/HTP companies in Bangladesh:** Net income of foreign nationals employed in EPZ/EZ/HTP companies may be credited to their FC accounts maintained and operated according to GFET subject to observing several instructions for ADs.
- **Inward remittances on account of refund against import payment:** Refund against non-receipt/short receipt of goods from supplier as per LC/Contract/IMP may be settled by inward remittances from the legitimate sources irrespective of supplier through banking channel subject to observation of several instructions.
- **Relaxation of foreign exchange regulations for trade transactions facilities:** ADs may allow to extend the tenure of realization of export proceeds and submission of bill of entry up to 60 days, usance period of back to back LCs opened under supplier's/buyer's credit up to 180 days, as additional time from permissible period of 180 days, for bonafide grounds required to settle the payments and applications for extension of EDF loans up to 180 days from prevailing extendable tenure of 90 days and repatriation of export bills at discounted price for bonafide grounds up to 10 percent of fob value without prior approval.
- **Remittance on account of bonus by foreign nationals working in Bangladesh:** Foreign nationals can remit upto 75.0 percent of their bonus after deduction of applicable taxes and payment thereof at one-go without spreading over the subsequent 12 months.
- **Import of industrial raw materials–extension of usance period:** With a view to minimizing COVID-19 pandemic related disruptions to input imports by industrial importers, it has been decided to allow the Authorized Dealers to extend the usance period upto a maximum of 360 days instead of current 180 days depending on the actual needs of their concerned clients.
- **Advance payment against imports of life saving drugs, etc:** To facilitate urgent medical imports required for containment of COVID-19, ADs are allowed to affect advance payment up to USD 500,000.00 or equivalent other foreign currency without repayment guarantee for import of corona virus related life saving drugs, medical kits/equipment and other essential medical items.
- **Introduction of Euro in Green Transformation Fund (GTF):** BB

decided to introduce EURO 200.00 (two hundred) million along with the existing USD 200.00 (two hundred) million in GTF. Accordingly, participating ADs will now be in a position to draw loans in euro from GTF at EURIBOR plus 1.00 percent for the admissible purposes.

- **Working capital loans from abroad by foreign owned/controlled companies:** Given the prevailing COVID-19 pandemic related disruptions, it has been decided that foreign owned/controlled companies operating in Bangladesh irrespective of sectors may access short term working capital loans, for the tenure of one year extendable to another one year, from their parent companies/shareholders abroad to meet actual needs for payments of 3-month wages and salary to staff.
- **Issuance of letters of credit (LCs) with realization clause:** With a view to facilitating export trade during COVID-19 pandemic, it has been decided that input procurements under back to back LCs/usance LCs may be issued with realization clause on behalf of exporters operating outside specialized zones with some provisions.
- **Issuance of international debit cards (IDCs) against annual travel entitlements:** It has been decided that ADs may issue IDCs in favor of eligible persons against their annual travel entitlements, subject to observance of the several instructions.
- **Discounting of direct and deemed export bills in foreign exchange out of own sources:** ADs may discount

usance export (direct and deemed) bills in foreign exchange out of their own sources to facilitate smooth transactions provided that the fund is not committed for otherwise use.

- **Transfer of remunerations to foreign currency (FC) accounts in the names of foreign nationals employed in admissible companies in Bangladesh:** To bring flexibility in executing transactions from FC accounts, it has been decided that up to 75 percent of net monthly income in equivalent foreign currency may be credited to FC accounts of the expatriate employees maintained and operated according to GFET from FC accounts of their employers subject to observance of several instructions.
- **Export under open account credit terms against payment undertaking/ payment risk coverage with option of early payment arrangement on non-recourse basis:** To bring easy access to finance by exporters, it has been decided that Authorized Dealers (ADs) may allow exporters to ship goods on sales contracts under open account credit terms within the statutory period subject to compliance with several instructions.

Anti-money Laundering Surveillance

11.37 The financial system is frequently facing threats to its integrity as criminals, money launderers and tax evaders try to use it as a conduit to launder funds, evade taxes and even finance terrorist activities. Strong Anti Money Laundering and Combating the financing of Terrorism (AML/CFT) measures prevent money launderers and terrorists to abuse financial system. These measures include formulating

respective laws, regulations, directives and other policies; conducting proper supervision on reporting organizations, exchanging information both the domestic and international level; conducting prosecutions of the criminals accordingly and building awareness among reporting organizations, regulatory authorities and mass people. Proper Customer Due Diligence system and stringent transaction monitoring of the reporting organizations and significant punishment measures for criminals keep launderers away from the legitimate financial channels. These measures have some explicit effects in reducing capital flight from the country and also have impact on the stability of the financial sector.

13.38 As empowered by Money Laundering Prevention Act 2012 and Anti Terrorism Act 2009 Bangladesh Financial Intelligence Unit (BFIU) is the central agency and coordinator of all kind of AML/CFT activities in Bangladesh. BFIU has taken a number of initiatives during FY20 in order to prevent money laundering and combat financing of terrorism. Notable of them are mentioned below:

Reporting Agencies and their Regulatory Regime

- BFIU issued a comprehensive circular for commercial banks for prevention of money laundering (ML), terrorist financing (TF) and proliferation financing of weapons of mass destruction (PF).
- BFIU issued a circular regarding issuance of Guidelines on Electronic Know Your Customer (e-KYC).
- BFIU issued a circular on Guidelines for Prevention of Trade Based Money Laundering.

Receiving Suspicious Transaction Report (STR) and Dissemination of the Same

11.39 BFIU received 3675 Suspicious Transaction Reports and Suspicious Activity Reports during FY20. Out of those BFIU disseminated 78 intelligence reports to the Law Enforcement Agencies (LEAs) for further actions. As per section 31 of Money Laundering Prevention Rules 2019 BFIU received feedback of the disseminated cases from the respective LEAs.

National Initiatives

- In FY20 BFIU signed Memorandum of Understandings (MoUs) with Anti-Corruption Commission, Bangladesh Police and Bangladesh Securities and Exchange Commission to enhance cooperation and exchange of information relating to ML/TF.
- On behalf of the Government BFIU coordinated the formulation of "National Strategy Paper for Preventing Money Laundering and Combating Financing of Terrorism 2019-21". The strategy paper includes 11 (Eleven) strategies and 137 (One Hundred Thirty Seven) action items for implementing those strategies. Implementation of those strategies will strengthen the AML/CFT regime of Bangladesh.

International Cooperation

- To exchange information relating ML/TF, BFIU signed nine Memorandum of Understandings (MoUs) with the FIUs of Guatemala, Paraguay, Qatar, Tonga, Latvia, Andorra, Ecuador, Seychelles and Mauritius in FY20. Including these

new nine MoUs, BFIU has altogether signed 77 MoUs with the FIU of different countries till June, 2020.

- During FY20 BFIU received 18 (eighteen) requests from the foreign FIUs for ML and TF related information and provided the information accordingly. BFIU also made 103 (one hundred and three) requests to the FIU of different countries.
- BFIU provided Technical Assistance (TA) to the FIUs of Bhutan and Maldives for getting Egmont group membership as the co-sponsor with the FIUs of Korea and Sri Lanka respectively. As part of the TA a delegation from BFIU and Korean FIU made an on-site visit to Bhutan in November, 2019.
- BFIU provided expert for the ADB's expert team to provide TA to Vietnam for its up-coming mutual evaluation.

Impart Domestic Training and Workshop

- BFIU in cooperation with United Nations Capital Development Fund organized a workshop on "Enabling AML/CFT Compliance in expanding Digital Financial Services (DFS) for Low-Income Segments" in March, 2020 for the DFS Provider institutions of Bangladesh.
- BFIU and United Nations Office for Counter-Terrorism (UNOCT) jointly organized a workshop on "BFIU-UNOCT National Capacity Building on Countering the Financing of Terrorism Measures for Non-profit Organizations" in December, 2020.
- BFIU organized a workshop on "Advanced Course on Financial Crime

Investigation" in November, 2019. 30 officials from all relevant law enforcement agencies participated in the workshop.

- BFIU and the United States Department of Justice's Office of Overseas Prosecutorial Development, Assistance and Training jointly organized "5th US-Bangladesh Bilateral Banking Dialogue" for the Chief Executive Officers (CEOs) of scheduled banks of Bangladesh in the USA in October, 2019. Around 20 CEOs of different scheduled banks participated in the program.
- BFIU organized a 3 day Chief Anti Money Laundering Compliance Officers (CAMLCO) Conference for all Banks in February, 2020. Governor, Bangladesh Bank inaugurated the conference where 114 senior compliance officials of all scheduled banks participated. "Whistle Blowing a Tool for Identification of Financial Crime: Challenges and Opportunities" was the theme of the conference.
- BFIU organized a 2 days CAMLCO Conference for insurance companies in December, 2019. CAMLCOs of all life and non-life insurance companies participated in the conference.
- Bangladesh Institution of Bank Management arranged 11 AML/CFT Training program and BFIU provided required resource persons for those programs;
- BFIU provided required resource persons on 68 occasions while reporting organizations arranged training on AML/CFT issues.

- BFIU provided required resource persons on 39 occasions while different relevant stakeholder organizations organized capacity building programs on financial crime investigations.

Participation in Different International and Local Conference/Meeting/Workshops

11.40 Bangladesh as a founding member of the Asia/Pacific Group on money laundering (APG), the Financial Action Task Force (FATF) style regional body for Asia and the Pacific region, has led the organization as Co-Chair for the period 2018-2020 and Head of BFIU successfully completed the tenure as Co-Chair. As a responsibility of Co-chair, Bangladesh was scheduled to host the 23rd General Meeting of

APG in July, 2020 which has been cancelled due to COVID-19 pandemic. Other than APG, BFIU has been maintaining continued engagement with all the international bodies such as Egmont Group, FATF, the Bay of Bengal Initiatives for Multi-Sectoral Technical and Economic Cooperation, United Nations Office on Drugs and Crime, World Bank, International Monetary Fund etc. to boost international efforts in this arena. Bangladesh actively participated in various international initiatives undertaken by these organizations and other foreign FIUs in FY20. Furthermore, as the main coordinating agency for prevention of ML, TF as well as PF, BFIU actively participated in a number of local conference/meeting/workshops arranged by other government agencies.