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Major Policy Announcements: July- September, 2020

<p>BRPD Circular Letter No. 35 July 02, 2020 Implementation of different loans/ investments stimulus packages introduced by Bangladesh Bank.</p>	<p>All the scheduled banks operating in Bangladesh are advised to implement/disburse the lion's share of the loans/investments stimulus packages introduced/declared by Bangladesh Bank by July 2020 and the remaining share by August 2020 through their fruitful efforts.</p>
<p>FID Circular No. 02 July 06, 2020 Disbursement of cash assistance to 50 Lac coronavirus (COVID-19) affected families during "Mujibborsho" (Mujib-year)</p>	<p>All the scheduled banks operating in Bangladesh are advised to open 10-Taka-deposit bank accounts based on the information available on National ID card or smart card and certification by Upazila Nirbahi Officer favoring those beneficiaries who have no mobile phone or for whom it is not possible to open mobile financial service account. Moreover, payment of cash has to be made through debit voucher to the beneficiaries who do not have a cheque book. And the beneficiaries who already have an account with the bank need not open new accounts.</p>
<p>FEPD Circular No. 26 July 07, 2020 Transactions relating to foreign direct investment (FDI) in Bangladesh</p>	<p>Dividend payable to foreign shareholders may be credited to their FC accounts maintained in Bangladesh, subject to observance of following instructions: (a) ADs shall satisfy themselves that the fund in equivalent foreign currency to be credited in FC accounts on account of dividend has arrived and reporting of which has been made. (b) While crediting FC accounts, the transactions shall be treated as outward remittances and accordingly TM Form procedures need to be followed. (c) Encashment of balances held in FC accounts shall be treated as inward remittances for bonafide local disbursements, subject to Form-C procedures. Purchase of shares out of fund held in FC accounts shall be treated as foreign investment and declared dividend may be used for reinvestment in Bangladesh through purchase of shares in existing companies and/or other companies.</p>
<p>BRPD Circular No. 16 July 21, 2020 Loan Classification and Provisioning for Cottage, Micro and Small Credits under CMSME</p>	<p>Any Continuous Loan if not repaid/renewed within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date. Any Demand Loan if not repaid within the fixed expiry date for repayment or after the demand by the bank will be treated as past due/overdue from the following day of the expiry date. Whereas, In case of any installment(s) or part of installment(s) of a Fixed Term Loan is not repaid within the fixed expiry date, the amount of unpaid installment(s) will be treated as past due/overdue after six months of the expiry date. If a Continuous Loan, Demand Loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan remain(s) past due/overdue for a period of 06 (six) months or beyond but less than 18 (eighteen) months, the entire loan will be classified as "Sub-standard (SS)". If a Continuous Loan, Demand Loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan remain(s)</p>

	<p>past due/overdue for a period of 18 (eighteen) months or beyond but less than 30 (thirty) months, the entire loan will be classified as "Doubtful (DF)".</p> <p>If a Continuous loan, Demand loan, Fixed Term Loan or any installment(s)/part of installment(s) of a Fixed Term Loan remain(s) past due/overdue for a period of 30 (thirty) months or beyond, the entire loan will be classified as "Bad/Loss (B/L)".</p> <p>Provision for Cottage, Micro and Small credits under CMSME shall be :</p> <p>a) All unclassified credits : 0.25%</p> <p>b) Classified as 'Sub-standard' : 5%</p> <p>c) Classified as 'Doubtful' : 20%</p> <p>d) Classified as 'Bad/Loss' : 100%.</p>
<p>DMD Circular No. 4 July 21, 2020 Formation of "Government Securities Investment Window" for providing cliental services of Treasury Bills and Bonds.</p>	<p>In order to provide prompt and effective cliental service to the potential investors in treasury bills and bonds, all the scheduled banks and financial institutions operating in Bangladesh are directed to form a "Government Securities Investment Window" under the control/supervision of their respective Treasury Division. Government Securities Investment Window shall accomplish the following functions:</p> <ol style="list-style-type: none"> 1. Provide with necessary information to the potential investors in treasury bills and bonds regarding investment procedure in treasury bills and bonds including Coupon/Yield, 2. Take necessary initiative to open securities account of individual and institutional investors, 3. Advise the investors to open bank account for smooth and safe transaction of purchasing and selling securities, speedy settling of the coupon and principal amount on maturity etc., 4. Accomplish securities purchase and sales related activities following the requisition of the clients, 5. Perform reconciliation activities of client's securities account 6. Coordinate the Bangladesh bank trading platform with other trading platform, such as-DSE trading platform etc of the clients.
<p>FEPD Circular No. 29 July 21, 2020 Remittances of dividend to non-resident shareholders</p>	<p>Authorized Dealers (ADs) shall no longer be required to forward documents to Bangladesh Bank subject to observance of the following instructions:</p> <p>(a) ADs shall comply with the relevant instructions</p> <p>(b) ADs shall maintain dividend files for eventual inspections by Bangladesh Bank/other regulatory agencies.</p> <p>As usual, ADs shall observe due diligence with regards to KYC, AML/CFT standards, reporting routine to Bangladesh Bank.</p>
<p>FEPD Circular No. 30 July 23, 2020 Relaxation of foreign exchange regulations for trade transactions - extended facilities</p>	<p>The policy supports to export trade due to COVID-19 pandemic are extended till March 31, 2021. The tenure of realization of export proceeds is also enhanced up to 90 days, as additional time from the statutory period of 4(four) months.</p> <p>The facilities for the extended period shall be applicable only for exports of readymade garments and textile goods.</p>

<p>FEPD Circular No. 31 July 26, 2020 Outward remittances on account of shipment tracking charges</p>	<p>Authorized Dealers (ADs) are allowed to effect remittances on account of shipment tracking charges; subject to observance of the following instructions: a) ADs shall have tie-up arrangements with globally recognized shipment tracking service providers; b) ADs shall receive shipment tracking information through secure communication channels/automatic system generated paths; c) Remittance requests from service providers abroad shall be supported by invoices; d) Regulations regarding payment of tax at source, value added taxes and other levies applicable on the payments need to be complied with.</p> <p>To economize transaction costs, ADs may establish tie-up arrangements with other ADs having arrangements with shipment tracking service providers abroad, for receiving the particular services. Payments between them will be settled in Taka. Service providing ADs may remit, in accordance with the above, the payments abroad payable against the services rendered to other ADs.</p>
<p>SMESPD Circular No. 03 July 27, 2020 Introduction of Credit Guarantee Scheme for Cottage, Micro and Small Enterprises</p>	<p>Bangladesh Bank launched a Credit Guarantee Scheme for Cottage, Micro and Small Enterprises (CMS) to salvage the adversely COVID-19 -pandemic-hit CMS sector. The credit guarantee scheme shall give coverage to the scheduled banks and financial institutions against their collateral-free loans and investment in CMS sector. The scheme shall be provided through the Credit Guarantee Scheme (CGS) Unit under SME and Special Program Department of Bangladesh Bank. The said scheme is applicable only for the working capital loans and investment in CMSME sector under aBDT 200 billion stimulus package. Interested scheduled banks and financial institutions will have to sign an Agreement of Participation for 5 (Five) years with the CGS unit of Bangladesh Bank to avail the benefit. Under the agreement, CGS unit shall provide portfolio guarantee against CMS portfolio.</p> <p>The required fund for the scheme shall be financed jointly by the Government and the Bangladesh Bank. Participating banks and financial institutions shall get maximum 30 percent guarantee cap against their stipulated portfolio limit of investment as working capital in CMS sector. Of the guarantee cap, banks and financial institutions shall enjoy maximum 80 percent guarantee coverage against their loans and investment to a single entrepreneur / borrower.</p> <p>Sector-wise division of portfolio limit for Cottage, Micro and Small Enterprises shall be: Maximum 70 percent in manufacturing and Service sector and maximum 30 percent in Trading sector.</p> <p>Whatever may be the existing limit to loans/investment in CMS sector, the amount of loan/investment under the scheme shall be minimum BDT 2 lac and maximum BDT 50 lac</p> <p>The tenure of the scheme is 1 (One) year. If renewed or rescheduled, the renewed or rescheduled period shall be considered as guarantee period.</p> <p>Scheduled banks and financial institutions shall have to pay 1 (One)</p>

	<p>percent guarantee fee against their applied loan/investment amount, realizable from the entrepreneur/borrower.</p> <p>For banks which have less than or equal to 5 percent classified loans are required to pay 0.5 percent guarantee fee annually and for those above 5 percent classified loans shall have to pay 0.75 percent guarantee fee annually.</p> <p>The rate of interest for such guaranteed loans/investments is 9 (Nine) percent, of which 4 (four) percent of the interest shall be borne by the borrower and the rest 5 (five) percent shall be subsidized by the government to the participating banks/financial institutions</p>
<p>MPD Circular No. 06 July 29, 2020 Re-fixation of Bank Rate.</p>	<p>The existing bank rate is reduced by 100 basis points from 5.00 percent and re-fixed at 4.00 percent.</p>
<p>MPD Circular No. 05 July 29, 2020 Re-fixation of Repo and Reverse Repo interest rates of Bangladesh Bank.</p>	<p>The existing overnight based Repo rate is reduced by 50 basis points from 5.25 percent and re-fixed at 4.75 percent and Reverse Repo rate is reduced by 75 basis points from 4.75 percent and re-fixed at 4.00 percent annually.</p>
<p>FEPD Circular No. 32 August 09, 2020 Deposit products for Non-Resident Bangladeshis (NRBs) working abroad</p>	<p>Authorized Dealers (ADs) are allowed to introduce deposit products in taka for NRBs. The guidance note for the products is as follows:</p> <p>(a) The deposit accounts in the name of NRBs may be opened in the form of savings for a period of one year and above. The accounts may also be opened without initial installment for the persons proceeding abroad for employment.</p> <p>(b) Non-AD bank branches providing remittance delivery services can also maintain the accounts.</p> <p>(c) The deposits in the accounts shall be either monthly or quarterly.</p> <p>(d) The accounts shall be credited in taka after conversion of foreign currency: (i) out of wage remittance channeled through banks or exchange houses abroad, (ii) foreign currency tendered by account holder himself while on temporary visit to Bangladesh subject to production of FMJ Form for currency in case of exceeding permissible limit, and (iii) transfer from foreign currency accounts of the account holders.</p> <p>(e) Interest/profit of the deposit products shall be commercially competitive as per market trend. Being the source of deposit is foreign currency, ADs may encourage NRBs with incentive in interest/profit.</p> <p>(f) Taka loans to such deposit product holder for meeting his personal requirements in Bangladesh may be granted keeping the deposit accounts as lien, subject to adherence to usual lending norms.</p> <p>(g) During the tenor of deposit product, if the deposit product holder returns to Bangladesh permanently, the deposit products may continue to be maintained with deposits from local sources subject to conversion of the products into same type of products available to residents and necessary adjustment of interest/profits or installment size, if any, as per agreement.</p> <p>(h) On maturity, based on option of the deposit product holder, ADs may pay the proceeds of the deposits including interest/profit to the</p>

	beneficiaries/nominees of the product or may be credited to interest/profit bearing fixed deposit accounts opened in their names. In case of NRBs residing in Bangladesh permanently after their return, the proceeds can be made available to them either in one time settlement or pension type monthly/quarterly settlement.
FEPD Circular No. 34 August 23, 2020 Payment of fees for webinar solution services to conduct virtual meetings	Authorized Dealers (ADs) are allowed to effect remittances on account of actual payments against relevant invoices of webinar solution services and supporting documents regarding payment of applicable taxes/levies. In case of requirement for online payments against such services, ADs may issue virtual card or one time card in the name of the nominated official of the applicant entities. As always, ADs shall observe due diligence with regards to KYC and AML/CFT standards and reporting routine (card module in case of payments through cards) to Bangladesh Bank.
FEPD Circular No. 36 August 27, 2020 Export Development Fund (EDF)-relaxation.	Refinancing from EDF will be admissible in case of no overdues against the realizable export proceeds during the immediate past 720 days from the date of applications by manufacturer-exporters for loans from EDF against concerned input imports.
DMD Circular Letter No. 06 September 10, 2020 Regarding auto reinvestment in 5-years term Bangladesh Sanchyapatra.	As per schedule 52D of Income Tax Ordinance, 1984, it is mandatory to deduct source tax at the time of the payment of profit of Savings instruments. Source tax has to be deducted at the existing tax rate on payment date of profit. Here payment means a transfer, a credit, an adjustment of payment or an order of instruction of making payment. For the second term auto reinvestment in 5-year term Bangladesh Sanchyapatra, net profit and principal amount of first term investment shall be treated as total investment (consolidated investment). If the consolidated investment exceeds BDT 5 lac on the date of making payment of profit, 10 percent tax at source has to be levied against the total profit. For that of less than BDT 5 lac, 5 (five) percent tax at source has to be deducted.
PSD Circular Letter No. 11 September 06, 2020 To revise the transaction limit in Internet Banking Fund Transfer (IBFT) through NPSB	The transaction limit in Internet Banking Fund Transfer (IBFT) through National Payment Switch Bangladesh (NPSB) is revised. The maximum limit of transaction in individual level is set at BDT 5 lac per day with maximum 10 transactions. The maximum limit of a single transaction is fixed at BDT 1 (one) lac per day. For that of institution entity, the upper limit of transaction per day is set at BDT 10 lac per day, with provision of maximum 20 transactions and no transaction exceeding the limit of BDT 2 lac per day.
FEPD Circular No. 37 September 15, 2020 Transfer of remunerations to Foreign Currency (FC) accounts in the names of foreign nationals employed in exporting companies in Bangladesh	Exporters-employers are allowed to transfer from their Exporter's Retention Quota (ERQ) accounts up to 75 percent of net monthly income of the expatriate employees in equivalent foreign currency to their FC accounts maintained and operated in terms of paragraph 1, chapter 13 of GFET. In the context of transfer of net monthly income from ERQ accounts of relevant exporter-employers, ADs shall observe the instructions as contained in aforementioned FE Circular; including verification of the authenticity of the work permits issued by the competent authorities.
BRPD Circular Letter No. 46	All the scheduled banks operating in Bangladesh are advised, with

<p>September 17, 2020 L/C Margin for Onion Import.</p>	<p>effect from 31 December 2020, to set the margin of Letter of Credits (LCs) for onion imports at the minimum level with a view to containing the price hike of onion in the local market and maintaining the smooth supply of onion.</p>
<p>FEPD Circular No. 39 September 21, 2020 Export subsidy/Cash incentive for the financial year 2020-2021</p>	<p>Export subsidy/cash incentive for the financial year 2020-2021 has been announced to boost up country's export trade. Under the assistance, all types of listed 37 categories of export products on board from 01 July 2020 to 30 June 2021, with export subsidies/cash incentives varying from 1 percent to 20 percent, shall be privileged with the facility .</p>
<p>BRPD Circular Letter No. 47 September 24, 2020 Fixing Rate of Interest/Profit on Credit Card</p>	<p>The rate of interest/profit on credit cards is not anyhow be allowed to set above 20 percent. The rate of interest/profit on credit cards is attributable from the very next day of the last date of bill payment on the unpaid bill amount. In this regard, interest is in no way allowed to be imposed from the date of transaction. Except that of 50 percent cash-withdrawal-loan facility against the credit cards, no other cash-withdrawal-loan facilities are allowed to be provided to the card holders. For late payment, a late fee can be realizable only for once.</p>
<p>FEPD Circular No. 40 September 24, 2020 Use of international cards for travels outside Bangladesh</p>	<p>International cards is allowed to be used for online purchase of air tickets by cardholders having visa, where applicable, for travels of such destinations outside Bangladesh. Bangladeshi travel operators may also provide such ticketing services to travelers for movements between destinations outside Bangladesh against payments by international cards. In this context, Authorized Dealers (ADs) shall, under merchant agreements, provide acquiring services to travel operators in Bangladesh for capturing online payments settled through international cards against sales of air tickets for above stated travels. Travel operators shall, having relevant registrations / permissions / licenses including membership with trade association representing the sector, have tie-up arrangements with internationally recognized travel operators/airlines. Acquiring services by ADs may also be applicable for capturing payments against such sales to foreign nationals / non-residents residing abroad or in Bangladesh. The payments so captured by ADs shall be retained in margin accounts of travel operators. Utilization of balances retained in margin accounts shall be guided by the following instructions: (a) Periodical remittances to counterparts abroad, net of agreed upon reasonable service charges/ commissions; (b) Refund to travelers in case of cancellation of travel; (c) Encashment of service charges/commissions; (d) Deduction and payment of applicable taxes thereon. Remittance requests by travel operators to ADs shall be supported by invoices and statements stating sales of air tickets, cancellation of travels, utilization of air tickets, payment of applicable taxes, if any, etc., and reconciliation thereof to arrive at payable amount. ADs shall preserve documents for 5 (five) years for onsite inspection by Bangladesh Bank. Subject to observance of the above instructions, hotel booking and</p>

	<p>purchase of railway/ ship/bus tickets for travel between destinations outside Bangladesh may be arranged by travel operators for which ADs may provide services of receiving payment in margin accounts and settling dues payable to counterparts abroad.</p> <p>As usual, ADs shall adhere to KYC and AML/CFT standards with regards to the transactions.</p> <p>Tour operators desirous to provide the services shall, through their ADs, intimate to Foreign Exchange Policy Department at Bangladesh Bank, Head office of their agreements/ arrangements with international travel operators made in line with this circular before one month of commencing business.</p>
<p>BRPD Circular No. 17 September 28, 2020 Regarding Loan Classification.</p>	<p>Loan/investment-classification status that occupied on 01 January 2020 cannot be declassified till 31 December 2020 even if the standard degrades. By the time, however, if classification status of a loan/investment upgrades, that loan/investment can be classified following proper norms.</p> <p>The payable installment(s) of the existing term loans (including short term agricultural loan and micro credit) on 01 January 2020 shall be treated as deferred for the stated period. The size and number of installment(s) shall have to be reset from January/2021. At the time of re-fixing number of installment(s), the equal number of installments shall be added to the number that remained overdue during 01 January 2020 to 31 December 2020. The borrowers are not allowed to be marked as defaulter even if any installment(s) remains overdue during the mentioned period.</p> <p>The tenure/adjustment date of all the existing continuous and demand loans/investments on 01 January 2020 and all the demand-natured loans/investments created within 01 January 2020 to 30 September 2020 shall increase to next 12 months from the existing expiry or till 31 December, whichever appears first.</p> <p>Attributable interest/profit, except cash recoveries, of rescheduled, restructured and one time exit availed loans/investments is not allowed to be transferred to income account. No penal interest or additional fee is allowed to charge for the time period.</p> <p>If any borrower does not feel the necessity of availing of the aforementioned provisions, his loan/investment may be settled following previous payment schedule or based on the banker-customer relationship.</p> <p>Reasonable rebate facilities can be offered to those borrowers who are reluctant to get the facility and voluntarily desires to settle the term/ demand/continuous loans with the banks.</p>