



Bangladesh Bank
(Central Bank of Bangladesh)
Head Office
Motijheel, Dhaka-1000
Bangladesh

Foreign Exchange Investment Department
FDIPP-Implementation Unit

FEID Circular Letter No. 02

Date: 20 December 2020

Chief Executive Officers/Managing Directors
All Scheduled Banks and Financial Institutions in Bangladesh

Dear Sirs, **Addendum for the Operating Guidelines for Two-Step Loan (TSL) Component of Foreign Direct Investment Promotion Project (FDIPP) in Bangladesh.**

Please refer to the Section no. 2.1.(5), 5.3.2, 3.2, 15.2, Section 5(1) of ANNEX IV, ANNEX VI, ANNEX VII & Addendum for the Operating Guidelines for Two Step Loan (TSL) component of Foreign Direct Investment Promotion Project (FDIPP) read with FEID Circular No. 01 dated 30 August 2017.

2. The Section no. 2.1.(5) of the Operating Guidelines regarding Eligibility Criteria for End-borrowers is replaced by the following Para :

“Bangladeshi companies who have substantial amount of deals with Japanese firms outside of the EZs to be developed. Substantial amount of deals means that aggregate amount of deals with Japanese firms is expected to exceed USD 100,000 within one year after applying for the loan. Bangladeshi companies having business contract with Japanese-invested companies in Bangladesh such as sub-contract, supply contract, service contract etc. are included in this category.”

3. The 2nd Para of the Section 5.3.2 of the Operating Guidelines regarding Collateral and Guarantee is replaced by the following Para:

“As for guarantee, when end-borrowers apply for the sub-loans, PFIs would be allowed to accept Standby L/C and other forms of guarantee provided by non-resident entities defined as Japanese banks and financial institutions. PFIs will decide if those guarantees are acceptable for them with their own assessment.”

4. Pursuant to the decision of the Government of the People’s Republic of Bangladesh, the interest rates of On-Lending Loan (OLL) and Sub-Loan at the end-borrower level for TSL Component of FDIPP are revised as follows:

SL	Particulars	Rate
a	Interest rate of On-Lending Loan (OLL) (Bangladesh Bank to PFIs)	1.5%
b	Maximum Spread/Margin for Participating Financial Institutions (PFIs)	3.5%
c	Maximum interest rate of Sub-Loan at end-borrower level (PFIs to End Borrower)	5.0%

5. The terms and conditions related to the interest rate of Sub-Loan and On-Lending Loan laid down in the following sections and annexure of the Operating Guidelines are amended as follows:

(a) Section 3.2. Terms and Conditions of On-Lending Loan

“1% of interests on OLLs to Revenue Account of BB and remaining 2% to Revenue Account of MoF, respectively” is replaced by “0.5% interest on OLLs to Revenue Account of BB and remaining 1.0% interest on OLLs to Revenue Account of MoF, respectively”.

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(b) Section 15.2. Payment of Interest and Principal on On-Lending Loan

[Process Flow at Treasury and Recovery Section of FDIPP-Implementation Unit]

“1% of the interest received to BB’s Revenue Account and the remaining portion of the interest to GoB’s Revenue Account” is replaced by “0.5% interest received on OLLs to BB’s Revenue Account and 1.0% interest received on OLLs to GoB’s Revenue Account”.

(c) ANNEX IV: Participation Agreement

Section 5(1)	The Participating Financial Institutions shall apply interest rate on the Sub-loans made to the End-borrowers but not higher than 5.0 per cent p.a. (the interest rate of On-Lending Loan 1.5% p.a. plus maximum margin 3.5% p.a.) for lending in Bangladeshi Taka.
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(d) ANNEX VI: Terms and Conditions of Sub-Loans

Interest rate:	To be determined by arrangement between PFI and Borrower in compliance with the rules and regulations prevailing in Bangladesh, but not higher than 5.0% p.a. (the interest rate of On-Lending Loan 1.5% p.a. plus maximum margin 3.5% p.a.).
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(e) ANNEX VII: Terms and conditions of On-Lending Loans

Interest rate:	(OLL in Taka) 1.5% p.a.
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6. All other instructions of the Operating Guidelines will remain unchanged.

The instructions of this circular letter shall come into force with immediate effect and shall also be applicable to the existing outstanding amount of loans from the Project.

Sincerely Yours,



(AKM Ehsan)
General Manager
&
Project Director
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