

FEID Circular No. 02

Date: 05 February 2020

All Authorized Dealers in
Foreign Exchange in Bangladesh

Dear Sirs,

Regarding Share Money Deposit

Attention of the Authorized Dealers (ADs) is invited to Para-2(A), Section-I, Chapter-9 of Guidelines for Foreign Exchange Transactions (GFET), 2018 which outlines the reporting requirements against issuance of shares by a Bangladeshi company in favor of non-residents within 14 (fourteen) days of issuance of shares. However, there is no time limit to complete the formalities of share issuance from the date of receipt of money from investors resulting in confusion among the bankers and foreign investors about the receipt, uses, accounting treatment and regulatory reporting. In this regard, following guidance is to be observed to protect the interest of foreign investors:

2. The company shall complete the formalities of issuance of shares within 360 days of receiving money for this purpose;

3. Share Money Deposit must not be used in any purpose other than the main business of the company i.e. the fund cannot be used in any interest/profit bearing financial instruments;

4. In case of calculating Debt Equity Ratio for according permission of foreign loan/foreign currency loan to industrial enterprises and of Taka term loan to foreign owned/controlled company as per Para-4(C), Section-1, Chapter-16 of GFET, 2018 etc. Share Money Deposit will not be considered as equity component if the company fails to convert it into share within 360 days of such receipt. However, the company will show Share Money Deposit in their financial statements as per IAS/BAS;

5. If total share capital of the company exceeds the exemption limit as fixed by the Bangladesh Securities and Exchange Commission (BSEC) after receiving Share Money Deposit, consent from BSEC has to be obtained.

Besides, the companies having Share Money Deposit before the issuance of this circular are advised to complete the formalities of share issue within 360 days from the date of this circular.

Please bring the above instructions to the notice of all your concerned constituents.

Yours Faithfully,



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