

Foreign Exchange Policy Department

Bangladesh Bank

Head Office

Dhaka

www.bb.org.bd

FE Circular No. 11

Date: January 30, 2025

All Offshore Banking Units and
Managing Director/Chief Executive Officer
All Scheduled Commercial Banks in Bangladesh

Dear Sir,

**Guidelines for Offshore Banking Business of
Scheduled Commercial Banks in Bangladesh**

The Offshore Banking Act, 2024 (Act No. 02 of 2024) was enacted to manage and regulate the offshore banking operations in Bangladesh. In exercise of the powers conferred by the Offshore Banking Act, 2024, Bangladesh Bank has formulated a set of instructions for conducting offshore banking activities in Bangladesh as outlined hereunder:

A. Restrictions on Offshore Banking Business: No person shall engage in offshore banking business other than a scheduled bank operating in Bangladesh with license issued by Bangladesh Bank as outlined at paragraph (B).

B. Establishment of Offshore Banking Unit (OBU): Offshore banking activities shall be carried out through OBU of scheduled banks operating in Bangladesh. Any scheduled commercial bank willing to operate offshore banking business in Bangladesh shall have to obtain license for OBU from Bangladesh Bank. Scheduled commercial banks shall follow the instructions described below:

(1) The scheduled commercial bank have to apply to Foreign Exchange Policy Department (Division-1) of Bangladesh Bank along with the information and documents as stated in ‘**Annexure-I**’ for each OBU.

(2) The approval of currently operating OBUs, given by Bangladesh Bank before enactment of ‘Offshore Banking Act, 2024’ shall be treated as OBU licenses under the Act. However, scheduled commercial banks are required to submit the copy of their approval letters of OBU to Foreign Exchange Policy Department (Division-1) of Bangladesh Bank within 02 (two) months of the issuance of this circular.

(3) Closure, shifting and merging of any OBU of a bank shall require prior permission from Foreign Exchange Policy Department (Division-1) of Bangladesh Bank.

C. Commencement of Operation: Head office/principal office of a scheduled commercial bank having accorded license to operate an OBU shall notify the commencement of its operation in writing to Foreign Exchange Policy Department (Division-1 & 2), Banking Regulation & Policy Department (Division-1 & 2), Department of Off-site Supervision (Division-1 & 2), Foreign Exchange Operation Department (Division-1 & 2), Foreign Exchange Investment Department, Department of Foreign Exchange Inspection, Forex Reserve and Treasury Management Department (Division-1 & 2), Statistics Department, Monetary Policy Department, Payment Systems Department (Division-1), relevant Departments of Banking Inspection, Motijheel Office and the respective area offices of Bangladesh Bank within 7(seven) days of commencement.

D. Operations of offshore banking: OBUs are allowed to execute transactions in freely convertible currencies declared by Bangladesh Bank in terms of Article 18 of The Bangladesh Bank Order, 1972 (President's Order No. 127 of 1972). Operations of OBUs are within the framework as outlined below:

(1) Banking services for specialized zones: OBUs may extend admissible banking services to fully foreign owned enterprises located at specialized zones. In terms of Section 2(8) of the Offshore Banking Act, 2024, 'Specialized Zone' shall refer to an Economic zone, Export Processing Zone, Private Export Processing Zone, Hi-Tech Park or any other zone declared by the Government from time to time. Term lending to the said enterprises is subject to observance of the instructions outlined at (4) below.

(2) Trade finance to specialized zones: OBUs may extend trade finance to enterprises other than fully foreign owned ones located at specialized zones arranged through their Authorized Dealers (ADs) in the form of buyer's credit, accepted bill financing, etc. for the permissible tenure.

(3) Trade finance for non-specialized zones: OBUs may extend trade finance to enterprises located at non-specialized zones arranged through their ADs in the form of admissible buyer's credit, accepted bill financing, etc. for the permissible tenure.

(4) Financing for import of capital machinery: OBUs may allow import finance to fully foreign owned enterprises located at specialized zones for import of capital machinery up to 3 years under buyer's credit, bill accepted framework, etc. Such financing is permissible to other enterprises in specialized and non-specialized zones arranged through respective ADs.

(5) Accepting deposits: OBUs may accept deposits from fully foreign owned enterprises located at specialized zones. OBUs may also accept deposits from persons resident outside Bangladesh without limiting to non-resident Bangladeshi nationals, persons of Bangladeshi origin, foreign nationals and enterprises, companies/firms registered and operating abroad, foreign institutional investors in approved foreign currency.

(6) Operations of International Banking accounts: OBUs may maintain foreign currency accounts termed as International Banking (IB) accounts in approved foreign currencies in the name of persons resident in Bangladesh and any industrial establishment and any other enterprise operating in specialized zones. IB accounts will be operated by account-holders on behalf of any non-resident. IB account-holders shall act as the facilitator of the non-resident remitter. IB accounts need to be

credited with inward remittances received through only banking channel. Balances held in IB accounts shall be used for (a) transferring to domestic banking units for meeting necessary payments and investments; and (b) making outward remittances including interest or profit to the remitter.

(7) Issuance of international cards: OBUs may issue international cards (debit/prepaid/virtual) against foreign currency accounts. All other instructions of Bangladesh Bank regarding this issue have to be followed.

(8) Interest/profit on deposits: OBUs are allowed to offer interest/profit on banker-customer relations.

(9) Borrowing from external sources: OBUs are allowed to borrow from external sources. Repayment commitments may be issued in respect of the borrowing, subject to call for claims by beneficiaries up to drawdown amount.

(10) Lending to borrowers not resident in Bangladesh: OBUs may extend loans/advances and investments to bank's own subsidiaries not resident in Bangladesh, subject to prior permission from Foreign Exchange Investment Department of Bangladesh Bank.

E. Limitation on activities: OBUs are prohibited from the following activities in offshore banking operation:

- (1) Engagement in banking transactions beyond the specifications in paragraph (D).
- (2) Acceptance of deposit or loan repayable immediately by banking instruments like cheque, draft, pay order, etc.
- (3) Credit facilities to its 'Bank Related Persons' as defined in section 26Ga of the Bank Company Act, 1991 exceeding the quota prescribed by Bangladesh Bank from time to time even if any of them are NRBs.

F. Prudential Regulations:

(1) OBUs shall have guidelines approved by the Board of Directors of relevant scheduled banks for conducting offshore banking operations in line with the instructions given by Bangladesh Bank.

(2) No dealing shall be made for any speculative purpose.

(3) Interbank fund placements of OBUs are permissible.

(4) Assets and liabilities created by offshore banking operation shall clearly be recognized at the time of such creation.

(5) OBUs shall observe Asset Liability Management (ALM) Guidelines of their banks for offshore banking.

(6) OBUs shall maintain separate books of accounts of their operations which shall be used for the purpose of verifying financial and other activities.

(7) OBUs are allowed to borrow funds from their Domestic Banking Units (DBUs) up to 30% of regulatory capital or the limit prescribed by Bangladesh Bank from time to time. OBUs already

having borrowing exceeding 30% shall adjust within 03 (three) months of the issuance of this circular.

(8) At the close of business on any day, value of offshore banking assets in Bangladesh shall not be less than 75% of the liabilities of offshore banking.

(9) Scheduled commercial banks are not required to maintain any Cash Reserve Ratio (CRR) with Bangladesh Bank for offshore banking operations in terms of Notification No. FE-01/2024-BB, dated February 29, 2024.

(10) Scheduled commercial banks shall follow the instructions issued by Bangladesh Bank regarding the maintenance of Statutory Liquidity Reserve (SLR).

(11) All regulatory limits prescribed by Bangladesh Bank regarding funded and non-funded exposures shall be applicable to offshore banking operations.

(12) Scheduled commercial banks shall maintain separate accounts relating to their offshore banking business for each OBU for assessing financial performance and other purposes. But offshore banking activities shall be included in equivalent Bangladeshi Taka (BDT) denomination while preparing solo basis financial statement of the bank treating it as a business line.

(13) The records of exchange position in foreign currencies of a bank (country office in Bangladesh, in case of foreign banks) shall include exposures of the OBU, if any. Scheduled commercial banks shall maintain their overall exposures in foreign currencies (overall exchange position) within the 'Open position limit' at the end of the day as stated therein.

(14) Regulation regarding maintenance of capital, leverage and liquidity ratios under Basel provisions shall be duly observed by OBUs. For the maintenance of capital that entails to offshore banking, if required, banks may use funds from OBUs and convert it into BDT.

(15) OBUs are allowed to place funds to their DBUs without limiting to settle the import payment of capital machinery, industrial raw materials, and imports by the Government and other permissible payment obligations as per prevailing foreign exchange regulations.

(16) OBUs are subject to periodic reporting to Bangladesh Bank with regards to their offshore banking transactions in relevant statement/schedules in writing as well as report to online web portal as per instructions of Bangladesh Bank.

(17) Scheduled commercial banks have to report their offshore banking operations to Bangladesh Bank in a separate Classified Loan Statement (CL-1) named OBU Summary of Loan Classification and Provision. All exposures provided by offshore banking shall be reported in the statement and adequate provision shall be maintained as per the requirement thereon.

(18) Information of credit extended through offshore banking shall be subject to report as per CIB regulations of Bangladesh Bank.

(19) Scheduled commercial banks having license for Islamic Shariah based banking services will be allowed to provide Islamic Shariah based banking services through offshore banking.

(20) In case of deferred import/export, LC/bill discounting calculation, banks shall create only

funded exposure on the local borrower in its solo statement, regardless it is funded or non funded exposure of onshore and offshore accounts. Scheduled commercial banks shall follow all kind of regulations/reporting related to it.

(21) To execute the approved activities of offshore banking, OBU may open current, savings and term accounts. Necessary instruments shall be issued under 'The Negotiable Instrument Act, 1881' for the transactions of these accounts.

(22) Scheduled commercial banks shall have to comply with KYC standards and AML/CFT regulations while conducting their offshore banking business.

(23) Operation of offshore banking business along with the sources and uses of funds shall be subject to offsite and onsite supervision by Bangladesh Bank.

(24) Dividend payable to foreign shareholders against Foreign Direct Investment as per relevant FE circular may be credited to OBU accounts.

(25) Approved remittable portion of salary & allowances of resident foreign nationals may be credited to their OBU account.

02. This policy shall come into force with an immediate effect and the applicability of the BRPD Circular No. 02. dated February 25, 2019; BRPD Circular Letter No. 09 dated May 27, 2019; BRPD Circular Letter No 31 dated June 18, 2020; BRPD Circular Letter No. 09, dated January 31, 2021; BRPD Circular Letter No. 12, dated February 22, 2021; BRPD Circular Letter No. 04, dated January 16, 2024; FE Circular No. 19, dated November 29, 2023; and FE Circular Letter No. 13, dated August 20, 2024 will be superseded thereon. All the contracts made within the purview of previous regulations will continue to their usual expiration.

You are advised to bring the content of this circular to the notice of your OBUs for meticulous compliance.

Yours faithfully,



(Md. Harun-Ar-Rashid)
Director (FEPD)
Phone: 9530123

ANNEXURE-I

A. INFORMATION TO BE PROVIDED WITH THE APPLICATION FOR LICENSE OF OFFSHORE BANKING UNIT

1. Name & Address of the Bank (Head/Country Office).
2. Date & place of incorporation list of affiliations, directors and the corporate set up.
3. List of the foreign correspondent banks and financial institutions.
4. Name of Stock-Exchange(s) where the Bank is listed (if applicable).
5. Whether the bank is represented in other Offshore Financial Centre(s) of the world either directly or indirectly through associates and subsidiaries. If so, please mention the name of the financial centre(s) with brief account of operations in those financial centre(s).
6. Liquidity and solvency position, net worth and resource base and managerial & international banking expertise of the bank.
7. Describe how the bank would benefit Bangladesh in developing the offshore market/financial centre.
8. Describe how the bank proposes to fund offshore banking operations in Bangladesh.
9. Estimated volume of offshore operations of proposed OBU for the next 3 years (earnings, assets & liabilities etc.).
10. Brief description of deposit insurance scheme of the bank, if any.
11. Capacity development plan for the concerned official.

B. DOCUMENTS TO BE ENCLOSED

1. Copy of Board approval for OBU along with board approved guidelines for Offshore Banking Activities.
2. Certified copy of Memorandum and Articles of Association.
3. Annual Reports along with audited income statement of the Bank for the preceding 3 years.
4. Performance of the other OBUs, if any, for the preceding 3 years operating by the bank.
5. Organizational Chart of the proposed offshore banking unit.