

Foreign Exchange Policy Department

Bangladesh Bank

Head Office

Dhaka

www.bb.org.bd

FE Circular No. 26

Date: July 07, 2020

All Authorized Dealers in
Foreign Exchange in Bangladesh

Dear Sirs,

Transactions relating to foreign direct investment in Bangladesh

Please refer to paragraph 1, chapter 13 of the Guidelines for Foreign Exchange Transactions-2018 in terms of which Authorized Dealers (ADs) are permitted to open foreign currency (FC) accounts in the names of (a) Bangladesh nationals residing abroad (b) foreign nationals residing abroad or in Bangladesh and also foreign firms registered abroad and operating in Bangladesh or abroad (c) Foreign missions and their expatriate employees. Paragraph 1(ii) ibid restricts to credit the FC accounts with income earned through business done or services rendered in Bangladesh. However, this restriction has been waived to credit permissible income earned by expatriates in terms of FE Circular No. 24 of June 23, 2020.

02. To bring smooth operations relating to foreign investment in Bangladesh, it has been decided that 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 in terms of paragraph 31, chapter 10 of GFET 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.

03. This is to clarify that purchase of shares out of fund held in FC accounts shall be treated as foreign investment, subject to compliance with the instructions of paragraphs 2(A) and 2(B) of chapter 9, GFET and its subsequent circulars.

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04. Declared dividend may be used, with treatment as inward remittances in accordance with paragraph 2(A)(b), chapter 9 of GFET, for reinvestment in Bangladesh through purchase of shares in existing companies and/or other companies subject to observance of following instructions:

- (a) Procedures as outlined in paragraph 31, chapter 10 of GFET have been followed regarding the disbursement dividend to foreign shareholders.
- (b) Investee companies shall, within 14 days on issuance of shares in accordance with regulatory norms, arrange to report with attachment of relevant documents through their designated ADs to Foreign Exchange Investment Department and Statistics Department of Bangladesh Bank, Head Office in accordance with paragraphs 2(A) and 2(B), chapter 9 of GFET.

Please bring the contents of this circular to the notice of your concerned constituents.

Yours faithfully,



(Mohammad Khurshid Wahab)
General Manager
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