

Foreign Exchange Policy Department
Bangladesh Bank
Head Office
Dhaka
www.bb.org.bd

FE Circular Letter No. 26

Date: July 21, 2020

Head offices/principal offices of all
Authorized Dealers in Bangladesh

Dear Sirs,

Access to finance from domestic sources against overseas guarantees

In terms of Section 18(2) of the FER Act, 1947 (amended up to 2015), Bangladesh Bank has accorded general authorization to banks/non-bank financial institutions (NBFIs) including resident individuals and institutions for extending Taka loans to foreign owned/controlled companies. Detailed instructions are contained at paragraphs 4(B) and 4(C), chapter 16 of the Guidelines for Foreign Exchange Transactions-2018 (GFET), Vol-1. Paragraph 3 ibid, however, restricts lending against overseas guarantees or collateral outside Bangladesh regardless of ownership/controlling status of borrowing entities.

02. Given the ongoing situation due to covid-19 pandemic, it has been decided that banks/NBFIs may extend admissible Taka finance against overseas guarantees (preferable bank guarantee/standby letters of credit) to resident companies irrespective of ownership/controlling status; subject to adherence to all applicable credit norms and prudential parameters, and observance of the following conditions:

- (a) The guarantees shall be acceptable to lending banks/NBFIs;
- (b) No fees shall be payable against the guarantee;
- (c) Bangladesh bank shall immediately be intimated in case of encashment of guarantees due to payment default by borrowers; and
- (d) In case the point as noted at (c) above is exercised, encashed amount payable by borrowers may be remittable abroad with prior permission from Bangladesh Bank.

03. In case of lending by NBFIs, guarantees should be received from ADs issued in terms of paragraph 10(b), chapter 16 of GFET against back to back overseas guarantees.

Other relevant instructions in this regards contained in GFET and its subsequent circulars shall remain unchanged. Please bring the contents of this circular letter, applicable till June 30, 2021, to the notice of your concerned clientele.

Yours faithfully,



(Mohammad Khurshid Wahab)
General Manager
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