

Foreign Exchange Policy Department

Bangladesh Bank
Head Office, Dhaka.
www.bb.org.bd.

FE Circular No. 21

Date : 11 May, 2017

All Authorised Dealers of
Foreign Exchange in Bangladesh

Foreign Exchange Transactions by the Enterprises of Economic Zones (EZs) in Bangladesh.

Attention of the authorised dealers (AD) is drawn to the FE Circular No. 22, dated August 09, 2016. In consultation with the Bangladesh Economic Zones Authority (BEZA), it has been decided to issue a new FE Circular by replacing the above mentioned circular as follows:

1. Introduction: By an Act of the Parliament, namely ‘The Bangladesh Economic Zones Act, 2010 (Act No. 42 of 2010), Economic Zones (EZs) will be established in all potential areas including backward and underdeveloped regions under the supervision of the BEZA. The broad features relating to the operations of the enterprises in the zones will be published by BEZA. Broad features of foreign exchange regulations relating to the operations of enterprises of EZs are being enumerated in the following para for being compliance by all concerns:

2. Enterprises of EZs and their Category: Throughout this FE Circular, enterprises of EZs will mean industrial enterprises established in different EZs and will also include developers and other service providing enterprises exclusively formed and registered to serve a particular EZ. For foreign exchange regulatory purpose, enterprises of EZs shall be categorized in three types as follows:

- (a) 'Type A': 100 percent foreign owned including those owned by Bangladeshi nationals ordinarily resident abroad;
- (b) 'Type B': Joint venture between foreign investors and Bangladesh entrepreneurs resident in Bangladesh;
- (c) 'Type C': 100 percent owned by Bangladeshi entrepreneurs resident in Bangladesh.

3. Foreign Investment in EZs: Foreign investors are free to invest in EZs, subject to registration with BEZA. Foreign investment in EZs (in ‘Type A’ and ‘Type B’ Units) shall have to be reported to Bangladesh Bank within 14 (fourteen) days of issuance of shares favoring non-resident investors as per instructions mentioned in Para 2, Chapter 9, Guidelines for Foreign Exchange Transactions (GFET), 2009 (Volume 1). Such investment shall have to be reported to Statistics Department, Bangladesh Bank also as mentioned in Para 26, Chapter 02, GFET (Volume 2) and subsequent circulars/circular letters. Similarly, transfer of shares of the companies not listed in the stock exchanges, from resident to non-resident, non-resident to resident and non-resident to non-resident shall have to be reported including

additional documents mentioned in Para 2 (B), Chapter 9, GFET 2009 (Volume 1).

4. Maintaining Foreign Currency (FC) Accounts and Taka Accounts by Enterprises of EZs: Enterprises of EZs shall maintain FC accounts without prior permission of Bangladesh Bank as mentioned in Section V, Chapter 13, GFET, 2009 (Volume 1) with ADs. 'Type A' enterprises may also open and maintain such accounts with Offshore Banking Units (OBUs) of scheduled banks of Bangladesh. Proceeds from exports of goods or providing services by enterprises of EZs shall be retained and used through such FC accounts in accordance with instructions as mentioned in the said Chapter of GFET, 2009 (Volume 1). Besides, equity from foreign shareholders and loan received in foreign currency from authorised sources may be credited in such FC accounts of 'Type A' and 'Type B' enterprises of EZs. In case of inward remittance on account of equity, ADs may issue a certificate with the amount credited in FC account mentioning equivalent Taka as per Format A/Format B attached with FE Circular 09, dated March 19, 2017. Moreover, authorised external loan proceeds may be credited in FC accounts of 'Type C' units of EZs. Enterprises of EZs may open and maintain Taka accounts in the same manner as mentioned in Section V, Chapter 13, GFET, 2009 (Volume 1). However, developers and other service providing enterprises as mentioned in Para 2 of this FE circular may, at the request of the industrial enterprises, receive service charges/fees either in FC or BDT (subject to authorisation by BEZA) for crediting the concerned accounts as the case may be as mentioned above. This is to mention here that all foreign currency and local currency payment obligations of EZ enterprises shall be met from FC accounts and BDT accounts of the enterprise concern respectively as mentioned above.

5. Export/Selling of goods from EZs: Selling of goods from EZ to abroad and to other places of Bangladesh through letter of credit (LC) or contract (including sales within EZ, to other EZs, to EPZs, to other areas of Bangladesh) shall be treated as exports. Exports from EZs (abroad/within Bangladesh) are subject to the usual requirement of declaration of exports in 'EXP Form' and repatriation of export proceeds mentioned in Chapter 8 of the GFET, 2009 (Volume 1) and related FE circulars/circular letters issued thereafter. For identification, EXP Forms for these exports should be rubber stamped or over printed with words "EXPORT FROM EZ" in bold letters. Procedures to release of foreign exchange to the enterprises of EZs against exports will be in the same manner as mentioned in Section V, Chapter 13, of the GFET, 2009 (Volume 1).

6. Selling of Bangladeshi goods or raw materials or non-physical contents to enterprises of EZs: Selling of permissible Bangladeshi goods or raw materials to enterprises of EZs through LC or contract shall be against convertible FC only to be received from FC accounts maintained by the enterprises of EZs with ADs (also OBUs for 'Type A' enterprises) as mentioned above subject to compliance with other relevant instructions issued by BEZA, National Board of Revenue and Ministry of Commerce. Selling of goods including non-physical contents to enterprises of EZs against payment in FC shall be treated as exports from Bangladesh within the purview of Foreign Exchange Regulation Act, 1947 (as amended upto September 09, 2015). Therefore, normal foreign exchange regulations concerning declaration of exports on 'EXP Forms' in case of export in physical form and repatriation of proceeds

shall be applicable for exports to EZs from other areas of Bangladesh.

7. Import by enterprises of EZs: For import from abroad by the enterprises of EZs through LC or contract, usual IMP Form reporting procedures will, however, be applicable as mentioned in Chapter 7, GFET, 2009 (Volume 1) and related FE Circulars/Circular Letters issued subsequently. For using foreign exchange fund from AD, instructions as mentioned in Para 20, Section-II, Chapter 16, GFET, 2009 (Volume 1) shall be applicable for enterprises of EZs. However, 'Type C' enterprises of EZs shall be allowed to obtain foreign exchange from ADs to settle obligations for importing capital machinery by the conversion of equivalent equity and/or authorised loan received in local currency. Similarly, 'Type B' enterprises may be allowed to convert their local equity/ authorised loan received in local currency into foreign exchange to settle obligations for importing capital machinery if equity/authorised foreign loan received from abroad falls short to meet such obligations.

8. Credit Facilities: For obtaining short term credit facilities from abroad (including from parents, associates or shareholders), other associates in Bangladesh, other banks in Bangladesh (both long and short term, as the case may be) by the enterprises of EZs, instructions mentioned in Section-II, Chapter 16 of GFET, 2009 (Volume 1) and subsequent related FE circulars/circular letters shall be applicable. However, for obtaining medium and long term debt from abroad/OBUs of scheduled banks in Bangladesh by the enterprises of EZs, applications for borrowing approvals shall have to be submitted to Bangladesh Bank through BEZA following the procedures as mentioned in FEID Circular Letter No. 03/2014, dated May 06, 2014.

9. Repatriation of dividend to non-resident Shareholders of 'Type A' and 'Type B' enterprises of EZs: ADs (also OBUs for 'Type A' enterprises) may remit dividends favoring non-resident shareholders of 'Type A' and 'Type B' enterprises of EZs without prior permission of Bangladesh Bank subject to observance of the instructions stipulated in Para 31, Chapter 10, GFET, 2009 (Volume 1). However, submission of documents as per instructions mentioned in Para 31(e), Chapter 10, GFET, 2009 (Volume 1) to Bangladesh Bank for post facto approval will not be required though usual reporting, online returns etc. shall be submitted by ADs/OBUs as per instructions mentioned in GFET (Volume 1 & 2) and related FE circulars/circular letters.

10. Repatriation of disinvestment proceeds by non-resident shareholders: Sales proceeds of shares held by non-resident investors of EZ enterprises listed with the stock exchange(s) may be repatriated without prior approval of Bangladesh Bank following the instructions mentioned in Para 3(A), Chapter 9, GFET, 2009 (Volume 1). Repatriation of sales proceeds of shares held by non-resident investors of EZ enterprises not listed with the stock exchange(s) may be effected with prior permission of Bangladesh Bank as mentioned in Para 3(B), Chapter 9, GFET, 2009 (Volume 1) and FE Circular No. 32, dated August 31, 2014.

11. Repatriation of royalty, technical know-how and technical assistance fees: ADs (also OBUs for 'Type A' enterprises) may remit the royalty, technical know-how and

technical assistance fees of enterprises of EZs from their FC accounts without prior permission from Bangladesh Bank or BEZA if the total fees and other expenses connected with above mentioned purposes do not exceed the following limits:

- (a) for new projects, not exceeding 6% of the cost of imported machinery;
- (b) for ongoing concerns, not exceeding 6% of the previous year's sales as declared in the income tax returns.

However, remittance of such fees in excess of the prescribed limit is subject to prior specific approval from BEZA. Besides usual reporting to Bangladesh Bank, each transaction shall have to be reported to BEZA also.

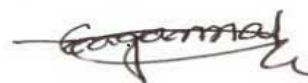
12. Working in EZs by foreign nationals: Foreign nationals working in EZs (with valid work permit issued by BEZA) and who have an income in Bangladesh are permitted to make monthly remittances to the country of their domicile out of their current savings upto 75% (seventy five percent) of their net income as mentioned in Para 8, Chapter 11, GFET, 2009 (Volume 1) and FE Circular No. 06, dated April 15, 2013. They are also permitted to remit 100% (hundred percent) of leave salary, actual savings and all pension benefits without prior Bangladesh Bank approval as mentioned in Chapter 11, GFET, 2009 (Volume 1).

13. Reporting: ADs shall report all foreign exchange transactions of enterprises of EZs through 'Online Foreign Exchange Transaction Monitoring System' of Bangladesh Bank. Such transactions are also to be reported in monthly returns to Statistics Department, FEOD and other concerned office of Bangladesh Bank in relevant Statements (S-10 and S-11), Schedules, etc. as mentioned in Para 14, Chapter 02, GFET (Volume 2).

FE Circular 04, dated February 14, 2016 and FE Circular No. 22, dated August 09, 2016, hence, shall stand nullified through the issuance of this FE Circular. Please bring the revised directions regarding foreign exchange transactions by enterprises of EZs to the notice of all your concerned constituents. ADs are also advised to provide necessary supports to the investors of EZs.

This FE Circular is issued under the authority of Section 20(3) of the Foreign Exchange Regulation Act, 1947 (Act VII of 1947, amended upto September 09, 2015).

Yours faithfully,



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