

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

FE Circular No. 26

Date: October 30, 2024

All Authorized Dealers in
Foreign Exchange in Bangladesh

Dear Sirs,

Issuance of guarantees on behalf of residents in favor of non-residents, flexibility of

Please refer to paragraph 8, chapter 16 of the Guidelines for Foreign Exchange Transactions-2018, Vol-1 (GFET) and subsequent circulars regarding issuance of guarantees on behalf of residents in favor of non-residents. Paragraph 8(i) ibid allows Authorized Dealers (ADs) to issue bid bonds/performance bonds on behalf of suppliers in Bangladesh in favor of international agencies inviting tenders for supply of goods/services. The scope has been extended vide FE Circular No. 24, dated July 29, 2018 in terms of which foreign organizations/entities have been brought in to the regulatory purview for the issuance of bid bonds on behalf of residents against proposed supply of goods/services in Bangladesh or from Bangladesh to foreign countries.

02. In terms of paragraph 8(iii), chapter 16 of GFET, ADs are allowed to issue performance bonds or guarantees in favor of overseas buyers on account of Bangladeshi exporters against tenders. It is observed that customary practices in some trade transactions, without tenders, require performance bonds or guarantees by buyers abroad from resident exporters. Besides, residents working as sub-contractors need to furnish performance bonds or guarantees favoring non-resident contractors awarded with work orders under international tenders to implement particular projects/works. To facilitate export trade and local deliveries against foreign payments, it has been decided that ADs may furnish performance bonds or guarantees in favor of overseas buyers/contractors, against letters of credits/purchases-sales contracts/work orders/advance payments, etc., on behalf of resident exporters/sub-contractors.

03. ADs shall conduct due diligence on their customers-applicants and bonafide of underlying arrangements for issuance of performance bonds or guarantees as per 2 above which is subject to observance of the instructions contained at paragraph 8(iii), chapter 16 of GFET, and adherence by ADs to all applicable credit norms and prudential parameters including single borrower exposure limit and so forth.

04. In respect of performance bonds or guarantees to be issued on behalf of resident sub-contractors, ADs shall satisfy themselves to the effect that underlying arrangements ensure appropriate repatriation of inward remittances against the respective works.

Other instructions in this regard shall remain unchanged. Please bring the contents of this circular to the notice of your concerned constituents.

Yours faithfully,



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