

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

FE Circular No. 08

Date: March 10, 2024

Managing Director/CEO
Head Office of
All Scheduled Banks in Bangladesh

Dear Sirs,

Settlement of import and export transactions through counter-trade arrangements

Attention of Commercial Banks is invited to paragraph 24, chapter 7, and paragraph 5, chapter 8 of the Guidelines for Foreign Exchange Transactions-2018 (GFET), Vol-1 in terms of which settlement of payments against trade transactions is primarily made in any convertible foreign currency, inter alia.

02. To widen the scope in settlement of trade payments, it has been decided that Bangladeshi parties (exporters/importers/traders) may voluntarily enter into counter-trade arrangements with counterparts abroad for settlement of import payments into Bangladesh against proceeds of goods exported from Bangladesh. Banks may open and maintain Escrow accounts in relevant approved currency, with intimation to Bangladesh Bank, in the name of foreign counterparts or jointly with Bangladeshi parties, to execute the settlement of payments. Operational procedures for settlement of payments under counter-trade arrangements are as follows:

- (a) Credits to Escrow accounts can be made out of import payments in approved foreign currencies received from importers through local banking channel supported by documentary evidences.
- (b) The accounts can be debited for export payments, net of permissible commission/ service charges, supported by documentary evidences to exporters through local banking channel.
- (c) Agreed commission/service charges, on deduction of applicable taxes, will be payable to Bangladeshi parties in equivalent Taka from the Escrow accounts.
- (d) No interest/profit will be payable on balances held in Escrow accounts but unencumbered balances can be transferred, at the instructions of account holders, to other Escrow accounts in Bangladesh for facilitating payments against exports under counter-trade arrangements.

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03. In case of underlying agreement between parties, Escrow accounts as per authorization at para 2 above may be opened and maintained in Bangladeshi Taka. In this case, import payments can be credited to the accounts against import payments received in Taka from importers' banks. The balances held in Taka accounts can be used for settlement of local disbursement as per 2(b) and 2(c) above. As usual, the accounts will bear no interest/profit.

04. Bangladeshi parties shall follow up with their counterparts so that the position in Escrow accounts can be balanced within periodical intervals.

05. Subject to approval from Bangladesh Bank, Bangladeshi parties can open and maintain Escrow accounts in the countries of their counterparts for settlement of trade transactions under counter-trade arrangements.

06. All imports and exports are subject to relevant regulatory compliance and shall be competitive in price. ADs executing transactions on behalf of importers and making payments to Escrow accounts as per above instructions shall report the same to Bangladesh Bank in IMP Form procedures with suitable mark as 'Counter-trade' along with matching formalities. Usual EXP formalities need to be observed for export transactions including reporting of proceeds realization with suitable mark as 'Counter-trade'.

07. Banks shall be satisfied with the bonafides of the underlying transactions and shall comply with KYC and AML/CFT standards, including reporting routines to Bangladesh Bank on related Online Systems and relevant schedule of statements.

The above instructions, however, shall not be applicable for transactions through the ACU mechanism. Other relevant instructions regarding trade transactions shall remain unchanged. You are advised to bring the contents of this circular to the notice of your clientele concerned.

Yours faithfully,



(Md. Sarwar Hossain)

Director (FEPD)

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