

## SECTION -II

### LETTERS OF CREDIT AND REMITTANCES AGAINST IMPORTS

#### 18.General

ADs may not issue, advise, notify or confirm any LC, authority to purchase, guarantee or similar undertaking covering imports into Bangladesh the implementation of which would involve a payment in Taka to a non resident account or a payment in foreign currency except in accordance with the instructions prescribed hereunder.

**LC covering imports:** AD should establish LCs against specific authorisation only on behalf of their own customers who maintain accounts with them and are known to be participating in the trade. Payments in retirement of the bills drawn under LCs must be received by the ADs by debit to the account of the concerned customer or by means of a crossed cheque drawn on the drawee's other bank. These restrictions shall not apply to import of articles for the private use of the importer as permitted in the IPO.

#### 19. Terms on which LCs may be opened

**(i) Documentary Credits:** All LCs and similar undertakings covering imports into Bangladesh must be documentary LCs and should provide for payment to be made against full sets of onboard (shipped) bills of lading, air way bills, railway receipts, truck receipts, post/courier parcel receipts showing despatch of goods covered by the credit to a destination in Bangladesh. All LCs/similar arrangements must specify submission of signed invoices and certificates of origin. If any particular LCAF requires submission of any other document or the remittance of exchange at certain periodical intervals or in any other manner, the LC/similar arrangement should incorporate those instructions of the LCAF.

**(ii) LCs requiring prior permission:** It is not permissible to open clean or revolving LC or LC with realisation clause (except EPZ/EZ companies). Applications for opening such LCs should be referred to Bangladesh Bank with full particulars.

**(iii) Transferable LC:**The ADs may open transferable LCs for imports into Bangladesh under cash LCAF without reference to Bangladesh Bank. They may also allow without reference to Bangladesh Bank amendments that do not violate foreign exchange regulations and IPO in force.

**(iv) Opening of LC for imports from countries banned by the competent authority:** It is not permissible to open import LCs in favor of beneficiaries in countries from which imports into Bangladesh are banned by the competent authority.

**20. Verification of import price etc.:** Before opening of LC or issuing LCAF, the AD shall have to take usual and reasonable cautionary measures to ensure that both the exporter and importer are bonafide businessperson of the goods concerned, the exporting country is the usual

exporter of the goods concerned and the price of the goods concerned is competitive in terms of prevailing price in the international market on the date of contract and/or similar imports in contemporary period. ADs are advised to verify the above, if needed, with the help of concerned Bangladesh Mission abroad.

**21. Import through land ports:** Following instructions are to be followed by ADs while importing through land ports:

(a) only one port of entry (land port) is to be mentioned specifically in the LC/purchase contract (as the case may be);

(b) ADs shall have to send copies of LC and subsequent amendments(s) if any, including other relevant information to the land port authority;

(c) specimen signatures of the officials working in the import-export desks of the concerned AD bank, contact phone and fax nos. of the ADs are to be sent to all the land ports;

(d) ADs through their agents or representatives shall collect certified invoices and bill of entries evidencing entry of goods into Bangladesh from the concerned land ports;

(e) LCs/purchase contracts shall contain inter alia the following payment terms instead of reimbursement authority/debit authority:

"Upon receipt of documents complying with credit terms, we shall effect payment as per instructions of Negotiating Bank/Collecting Bank";

(f) LC covering value more than USD 5000(USD 10,000 in case of coal import) or equivalent should be sent through SWIFT or other similar arrangements to the advising bank;

(g) NOC(if any) shall contain name of the officials along with P.A. nos. and official seal.

## **22. Period of opening of LCs**

LC covering import of goods into Bangladesh against valid LCAF should be opened within the period, if any, prescribed in the current IPO.

## **23. Firm contracts and credit reports**

### **(a) LCs to be opened only against firm contracts**

AD should, before opening an LC, see documentary evidence that a firm order for the goods to be imported has been placed and accepted. While opening an LC, the AD should ensure that full description of the goods to be imported are given in each credit alongwith the unit price of the merchandise.

**(b) Credit Reports of the foreign suppliers**

The ADs should also obtain confidential report on the exporters from their branches or correspondents abroad or in their discretion, satisfy themselves as to the standing of the exporter by consulting standard books of reference issued by international credit rating agencies acceptable to the ADs in all cases where the amount of LC/contract exceeds USD 10,000 (Ten Thousand) against proforma invoices issued directly by foreign suppliers and USD 20,000 (Twenty Thousand) against indents issued by local agents of the foreign suppliers. Head Offices/ Principle Offices of all ADs shall maintain a central database of collected reports and allow their ADs to use the relevant credit reports of the foreign suppliers stored in the said database. Such reports should be obtained by the ADs themselves and the reports if submitted by the importers should not be accepted. The ADs may also, at their discretion and in their own interest, verify the standing of the beneficiaries even in cases where the value of the credit is lower than the limits mentioned above. Credit report may remain valid for a period of maximum twelve months from the date of issuance if no adverse report comes to the notice of the AD. Moreover, credit report of the same supplier collected for one importer may be used for other importers within the same validity.

**24. Approved methods of payment**

LC may be established providing for payment to the country of origin of goods or any other country except those countries from which imports are prohibited. The LC may provide for payment or reimbursement in any freely convertible foreign currency, in the currency of the country of the beneficiary or of the country of origin/shipment of goods, or by way of credit to the non resident Taka account of the concerned bank abroad. Payments for imports under barter agreements or under foreign Loans/Grants can be made only in the manner specified for the concerned barter/loan/grant.

**25. Applications for remittances against imports**

An AD may approve on behalf of Bangladesh Bank remittance against imports into Bangladesh provided the conditions set out in Section-I and elsewhere in this chapter are complied with and provided also that the documents covering the import, whether under LC or otherwise, are received through the AD concerned. In case of import by post/courier, the ADs may make remittance without prior approval of Bangladesh Bank only if the parcel is addressed directly to the AD. Where the parcel is addressed to an individual care of the AD/to the individual direct, prior approval of Bangladesh Bank should be applied for, in the manner laid down in Para 28 below.

**26. Remittance against discrepant documents/documents received directly by the importers**

ADs may allow remittance against discrepant documents/documents received directly by the importers after the goods have been cleared from the customs, on the basis of the relative LCAF,

the authenticated copy of the customs bill of entry for consumption or customs certified invoice in the case of import by post/courier and the relative invoices.

## **27. Advance remittance against imports**

(i) Advance remittance for permissible imports of goods and services into Bangladesh may be effected by the ADs without prior approval of Bangladesh Bank, against applications from the importers submitted with signed undertaking in the format of Appendix 5/15 provided that:

(a) the purchase contract with supplier specifically requires advance payment;

(b) the supplier furnishes repayment guarantee acceptable to the AD from a bank abroad, to be invoked for refund of the amount paid in advance in the event of the supplier's default in delivering the goods or services as per contract. Such guarantee need not however be insisted upon in cases of advance payments up to USD 5000 (Five thousand) or its equivalent for any permissible import subject to compliance of the following instructions:

(1) ADs shall have to be ensured that the applicant-importers do not have bill of entry/customs certified invoice pending for submission beyond the stipulated period of four months (or such extension as permitted by Bangladesh Bank) against any earlier remittance for imports;

(2) ADs shall have to be satisfied that repayment guarantee is not obtainable from the suppliers against the remittances to be made in advance;

(3) ADs shall, at their own responsibility, have to arrange for repatriation of the remittances made in advance in case the entry of goods into the country is not effected within the stipulated time;

(4) IPO in force shall have to be meticulously followed;

(5) Before effecting the advance payment, ADs shall obtain Form of Undertaking (Appendix-5/15) duly filled in and signed by the importer.

(ii) Requests for advance remittance where the suppliers are unwilling or unable to furnish the repayment bank guarantee referred to at para 27(i)(b) may be forwarded by the ADs, along with their recommendations, for specific decision of FEPD, Bangladesh Bank on merit of each case.

(iii) ADs shall report to the Bangladesh Bank the cases where the goods/services against advance payments are not received in Bangladesh within due time as mentioned in Para 29 & 31.

In addition to usual reporting to Bangladesh Bank, ADs within one week of advance remittance, shall submit attested copies of (i) undertaking (as per Appendix 5/15) (ii) repayment bank guarantee provided by bank abroad (iii) credit report of the guarantee providing bank abroad to the FEPD, Bangladesh Bank, Head Office mentioning the probable date of import of goods/services. However, advance payment for import from ERQ account may be done as per relevant instruction mentioned in Section-IV, Chapter-13.

## 28. Application for remittance on Form IMP

**(a) Form IMP for private imports:** All applications for payments against imports into Bangladesh (including imports by enterprises of EPZs/EZs from abroad) should be made on form IMP with separation of FOB value, freight, insurance and other charges (See Appendix 5/16). The form IMP shall be submitted in one original by the importer or his duly authorised representative. In cases where empowered to approve the remittances on behalf of the Bangladesh Bank, the AD shall endorse its approval on the reverse of the form IMP in the space provided for the purpose. In other cases, the AD shall submit the form IMP together with required supporting documents to the Bangladesh Bank for approval.

**(b) Form IMP for government imports:** The AD should mark with a bold letter "G" the IMP form for remittance against an import in the name of a government department or office for which LCs are opened by the AD. In other cases, where LCAFs are issued to private parties and are marked "On Government Account", the form IMP should be similarly marked with bold "G".

## 29. Submission of the authenticated copies of 'Bill of Entry' and 'Certified Invoices'

**(a) Time for submission from date of remittance:** In all cases of remittances for imports into Bangladesh, the importer must submit the relevant authenticated copy of the customs bill of entry within four months from the dates of remittances. In case of import by post/ courier, the importer must submit the invoice certified by the customs authorities in lieu of the authenticated copy of the bill of entry. Where the value of an import by post/courier is less than GBP 5 (five) or its equivalent in other foreign currency, the customs authorities will issue a certificate instead of certifying the invoices. In such cases, the certificate may be submitted in place of the certified invoices.

**(b) Bill of entry against import on suppliers' credit (Usance /DA) term:** In case of imports on suppliers' credit term, the prescribed period of four months for submission of bill of entry shall be calculated from the date of acceptance of import documents.

**(c) Bill of entry against import on buyers' credit/external credit:** In case of import under buyers' credit/external credit, the period of submission of documentary evidence in support of imports i.e. bill of entry shall be four months from the date of acceptance of import documents.

## 30. Extension of time limit for submission of bill of entry etc.

Applications for extension of the time limit beyond four months in cases of genuine difficulties, such as delay in the arrival of the ship or difficulties in clearing the goods already landed at a port in Bangladesh etc. shall have to be forwarded to Bangladesh Bank(FEPD, Head Office or

other offices) for consideration mentioning clearly the concerned IMP No. & LC/contract no. (as reported to the 'Online Import Monitoring System'). Moreover, scanned copy of approval of extension of time limit for submission of bill of entry shall have to be forwarded to FEOD (feod.import@bb.org.bd), Bangladesh Bank, Head Office.

### **31. Disposal of Form IMP**

(a) To effect remittance against import, AD shall endorse its approval on the reverse of the form IMP in the space provided for the purpose. Immediately after import payment, AD shall make report to 'Online Import Monitoring System' of Bangladesh Bank. Besides, import payment shall be reported in usual monthly returns to Bangladesh Bank without attachment of form IMP. AD shall continue to hold form IMP until the Customs certified bill of entry is received. During this stage of non-receipt of Customs certified bill of entry, ADs shall, on demand, submit the form IMP and full set of import documents to Bangladesh bank.

(b) When the authenticated copy of the bill of entry/customs certified invoice evidencing entry of goods into Bangladesh, is submitted by the importer, the particulars therein should be matched and checked with those in the IMP form and invoice filed earlier to see if the merchandise for which remittance was made has been duly received in Bangladesh. ADs shall report the same to 'Online Import Monitoring System' after necessary verification. If no material discrepancy is detected, the case should be considered closed. Afterwards, ADs shall retain the form IMP and relevant bill of entry with full set of import documents including LCA form with them for record and eventual inspection for a period of 5(five) years. However, in respect of cases which are under investigation by Bangladesh Bank inspection team/other Government agencies, the form IMP and full set of import documents including bill of entry shall be disposed of only after obtaining clearance from the inspection team/Government agency concerned.

(c) Cases with material discrepancy between the particulars of merchandise for which remittance was made and the merchandise actually received as evidenced by the authenticated copy of bill of entry/customs certified invoice, and cases of non submission of bill of entry/customs certified invoice within four month of remittance/acceptance (as the case may be) should be reported on monthly basis to FEOD, Head office or other offices of Bangladesh Bank, in proforma as given at Appendix-5/17 and Appendix-5/18, by 10th day of the following month. Besides, 'Monthly summary statement of non-receipt of authenticated copy of bill of entry/customs certified invoice within due time' shall have to be submitted to FEOD Head office or other offices of Bangladesh Bank within the same period as mentioned above (Appendix 5/19). The ADs should also follow up with the importers the cases of material discrepancies and of non-submission of bills of entry/customs certified invoices within due time. Importer who has failed to submit authenticated bill of entry/certified invoice against any earlier remittance for import within the stipulated time (or within the extended period allowed by Bangladesh Bank) will be barred from opening new letter of credit without prior permission of Bangladesh Bank. However, ADs without prior approval of



Bangladesh Bank, may open new LCs on behalf of importers who has bill of entry/certified invoice unmatched till October 31, 2017 with IMPs (within stipulated time or allowed extended period) to the tune of upto USD 200(two hundred) or equivalent. ADs shall continue its endeavour for matching such unmatched bill of entry within shortest time. ADs shall duly report to FEOD, Bangladesh Bank as and when the matching of such IMPs has been completed.

Bangladesh Bank may instruct AD to abstain from opening new LC in favor of those in whose cases major discrepancy between the description, quantity etc. of goods stated in bill of entry/customs certified invoice and the same declared on the eve of remittances of value thereof is detected by Bangladesh Bank from the statement of the AD concerned. However, customs certified bill of entries, which are being reported as 'non submission' due to failure of submission within stipulated time, may be omitted from subsequent periodical report as 'non-submission' without prior approval of Bangladesh Bank once they have been submitted in any subsequent period.

To resolve the cases of unmatched overdue bill of entries (partial or full) due to non-receipt/short receipt of goods as per LC/Contract/IMP, importers may arrange to receive the unmatched amount in foreign currency (including associated bank charges) from the same foreign supplier through banking channel. Once the refund is received from foreign supplier abroad against non-shipment/short shipment of goods, etc., ADs shall report the same to the 'Online Inward Remittance Monitoring System'. Afterwards, ADs shall report to Bangladesh Bank (FEOD, Head Office, Dhaka to mail ID: feod.import@bb.org.bd) for recording the refund information against the concerned IMP number reported to the Online Import Monitoring System.

In cases of failure of submission of bill of entry due to lost or damage of goods by accident or auctioned by Custom Authorities or confiscated by Government etc., ADs may, apply to Bangladesh Bank soliciting waiver of reporting of such cases as 'non-submission' in their periodic return to Bangladesh Bank with documentary evidences as per Para 32 below (as the case may be).

**(d) Separate folders for public sector imports:** In respect of all imports in the public sector the forms should be kept in separate importer-wise folders till final disposal.

### **32. Loss of goods**

In the event goods are completely lost, copy of the form IMP should be forwarded to Bangladesh Bank giving full particulars of the loss and the manner in which the insurance claim has been collected. In the event of partial loss, the authenticated copy of the customs bill of entry for the goods actually cleared should be submitted giving full particulars of the loss and the manner in which the insurance claim has been collected.

**33(a). Import on deferred payment basis**

Subject to compliance with other conditions laid down in this chapter and in the current IPO, import is allowed on deferred payment/usance basis in the following cases:

- (i) Import of capital machinery and spares for own use by industrial importers on upto 360(three hundred sixty) days usance basis;
- (ii) Industrial raw material imports for own use of industrial importers (including back to back imports discussed in detail in the next Section) on upto 180(one hundred eighty) days usance basis;
- (iii) Import of coastal vessels including oil tankers and ocean going vessels including those procured for scrapping on upto 360(three hundred sixty) days usance basis;
- (iv) Import of agricultural implements and chemical fertilizers on upto 180(one hundred eighty) days usance basis;
- (v) Import of life saving drugs (certified/declared as such by Drugs Administration Authority) on upto 90(ninety) days usance basis.
- (vi) HR Coil, scrap, pig iron & sponge iron used for manufacturing of flat steel and long steel under steel industries for being used in own factories on upto 360(three hundred sixty) days usance basis.

For such deferred payment imports, the prices must be internationally competitive and usance interest, if any, may bear mark-ups over LIBOR according to the prevailing market conditions subject to overall cost not exceeding 6(six) percent per annum for the relative period.

**(b) Import against buyers' credit**

Buyers' credit from foreign banks and financial institutions may be obtained for making import payments [for the items importable under usance basis as mentioned in sub para (a) above] arranged through designated authorised dealers of the importers in Bangladesh at the interest rate of not exceeding 6(six) percent per annum.

**(c) Repayment against imports under suppliers' credit (deferred payment)/buyers' credit** ADs shall observe following instructions to settle import payments under suppliers' credit (deferred payment)/buyers' credit:

- (i) Bullet repayment terms will be admissible only on financing for terms not exceeding six months, and only on shipments not exceeding USD 1.00 (one) million or equivalent in value. ;
- (ii) Subject to exception as mentioned in Para 33(d) below, bullet repayment terms will be inadmissible for financing exceeding USD 1.00 (one) million or equivalent in value or for terms exceeding six months. In such cases, the financing arrangements (contract/LC between importer in



Bangladesh and supplier/creditor abroad) must stipulate quarterly repayments wherein the repayment installment due after the first quarter may on prospective cash flow considerations be set lower than the subsequent ones, subject to being not less than one tenth of the total amount payable.

**(d) Exemption of quarterly repayment**

Quarterly installment repayment, as stated in 33(c)(ii) above, is exempted for deferred payment imports in bulk of up to 6(six) month term regardless of import value for the following unprocessed/crude food items:

- (a) unrefined edible oil and oil seeds imports by refiners/millers,
- (b) crude sugar imports by refiners and
- (c) unground (whole) wheat imports by flour mills.

**(e) Reporting on buyers' credit**

Head /Principal Offices of all AD banks are advised to submit a monthly statement regarding use of buyer's credit in foreign exchange in Form-BC (Appendix-5/20) to FEPD of Bangladesh Bank, Head Office by the 15th day of next month of fund drawal.

**(f) Import on longer terms**

Instructions regarding opening of import LCs on longer usance terms against suppliers' credits obtainable by industrial enterprises in the private sector as per general or specific BIDA approval are contained in Chapter 15 of this Guidelines.

**34. Payment of import liability**

(a) ADs shall make payment of import liabilities as per LC/contracts (both local and foreign) on maturity. Failure in settlement of import liability as per credit/contract terms may result in punitive actions including revocation of AD licence by Bangladesh Bank.

(b) Banks are required to submit the following statements to FEOD, Bangladesh Bank, Head office regarding overdue accepted bills through e-mail complying with the instructions mentioned in Appendix 5/25:

- (i) Monthly summary statement of overdue accepted bills (Appendix 5/21)
- (ii) Monthly statement of overdue accepted bills -Local payables (Appendix-5/22)
- (iii) Monthly statement of overdue accepted bills -Foreign payables (Appendix-5/23)
- (iv) Monthly statement of overdue accepted bills -Local receivables (Appendix-5/24)
- (v) Monthly bank-wise summary statement of local overdue accepted bills (Appendix-5/25).

**35. Payment in foreign currency against local supply of goods under international tender**

ADs may establish letter of credit in foreign currency favoring local contractor to implement work order issued by govt. authorities under international tender. Such LCs established in foreign currency shall be settled through FC clearing accounts of the concerned banks maintained with Bangladesh Bank. Foreign exchange thus received may be retained upto thirty days to settle import payment obligations of the client as mentioned in Para 42(ii) of this chapter.

**36. Payment of import bills from advance export proceeds retained in FC accounts of ship builder-exporters**

General authorisation has been given to ADs to open FC accounts on behalf of ship builder-exporters for retaining export proceeds received in advance against ship exports. The balances of these accounts may be used for input procurements. ADs should comply with relevant instructions in operating the FC accounts (Please see Para 32, Section -VI, Chapter 13).

**37. Remittance against purchase of software through e-delivery**

ADs may effect remittance against purchase of software through e-Delivery subject to observance of the following instructions:

**A. Customs assessment of the purchases:** ADs may allow their customers to arrange customs assessment of the software after being satisfied from the certificate issued by Bangladesh Association of Software and Information Services (BASIS) to the effect that the purchase of software is genuine and sourced from reliable supplier.

**B. Outward remittances:** On receipt of customs assessment order and documentary evidence of payment of duties/taxes, ADs may effect payment against the purchase of the software subject to compliance of the following conditions:

- i) ADs shall be satisfied with the certification/licence issued by the supplier that the software has already been received by the purchaser;
- ii) ADs shall observe due diligence and comply with AML/CFT regulations in respect of the transactions;
- iii) ADs shall keep an authenticated copy of the certification/licence issued by the supplier and report the transactions to Bangladesh Bank in monthly returns/schedules.

Application for remittance without the procedure mentioned above shall require prior approval of Bangladesh Bank.