

**FE Circular No. 21**

**Date: May 16, 2019**

All Authorized Dealers of  
Foreign Exchange in Bangladesh

Dear Sirs,

**Foreign Exchange Transactions by the Enterprises of  
Hi-Tech Parks (HTPs) in Bangladesh.**

Please refer to relevant instructions of the Guidelines for Foreign Exchange Transactions (GFET)-2018, Vol-1 and subsequent FE Circulars for foreign exchange transactions of enterprises operating in Export Processing Zones (EPZs) and Economic Zones (EZs). To facilitate foreign exchange transactions for enterprises located at Hi-Tech Parks (HTPs) established by Bangladesh Hi-Tech Park Authority (BHTPA) under the Act 'The Bangladesh Hi-Tech Park Authority Act, 2010 (Act No. 8 of 2010)', it has been decided to formulate a separate set of instructions for Authorized Dealers (ADs) including Off-shore Banking Units (OBUs) as stated below:

**1. Enterprises of HTPs and their Category**

Enterprises of HTPs will mean industrial and business enterprises established in different HTPs and will also include park developers and other service providing enterprises exclusively formed and registered to serve a particular HTP and Private Software Technology Parks authorized by BHTPA. For foreign exchange regulatory purpose, enterprises of HTPs 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 Bangladeshi entrepreneurs resident in Bangladesh;
- (c) 'Type C': 100 percent owned by Bangladeshi entrepreneurs resident in Bangladesh.

**2(a). Foreign Investment in HTPs:** Foreign investors are free to invest in HTPs, subject to registration with BHTPA. Foreign investment in HTPs (in 'Type A' and 'Type B' Units) shall have to be reported to FEID, Bangladesh Bank within 14 (fourteen) days of issuance of shares favoring non-resident investors as per instructions mentioned in paragraph 2, chapter 9 of GFET. Such investment shall have to be reported to Statistics Department, Bangladesh Bank also as mentioned in paragraph 25, chapter 2, GFET (Vol-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 to Bangladesh Bank including additional documents mentioned in paragraph 2(B), chapter 9 of GFET.

**2(b). Temporary Non-Resident Taka/Foreign Currency Account for foreign investors:** ADs may open Non-Resident Taka Account (NRTA) in the name of the proposed company/enterprise of foreign investors contemplating to invest in Bangladesh without prior approval of Bangladesh Bank as mentioned in paragraph 2(C), chapter 9 of GFET. Temporary foreign currency accounts may also be opened in their name to park fund remitted from abroad on account of equity by ADs and OBUs in case of Type A enterprises, subject to observance of the same instructions as noted in paragraph 2(C), chapter 9 of GFET.

### **3. Maintaining FC Accounts and Taka Accounts by Enterprises of HTPs**

Enterprises of HTPs shall maintain FC accounts without prior permission of Bangladesh Bank as mentioned in chapter 13, section V, of GFET with ADs. 'Type A' enterprises may also open and maintain such accounts with OBUs of scheduled banks of Bangladesh. Proceeds from exports of goods or providing services by enterprises of HTPs shall be retained and used through such FC accounts in accordance with instructions as mentioned in chapter 13, section V of GFET. Besides, equity from foreign shareholders and loan received in foreign currency from authorized sources may be credited in such FC accounts of 'Type A' and 'Type B' enterprises of HTPs. In case of inward remittance on account of equity, ADs and OBUs in case of Type A enterprises may issue a certificate (Appendix 5/39 or 5/40 of GFET as the case may be) with the amount credited in FC account mentioning equivalent Taka as mentioned in paragraph 2, chapter 9 of GFET. Moreover, authorized external loan proceeds may be credited in FC accounts of 'Type C' units of HTPs. Enterprises of HTPs may open and maintain Taka accounts in the same manner as mentioned in chapter 13, section V, of GFET. However, developers and other service providing enterprises exclusively formed and registered to serve a particular HTP and Private Software Technology Parks authorized by BHTPA as mentioned in paragraph 1, may, at the request of the industrial enterprises, receive service charges/fees either in FC or BDT (subject to authorization by BHTPA) for crediting the concerned accounts as the case may be as mentioned above. All foreign currency and local currency payment obligations of HTP enterprises shall be met from FC accounts and BDT accounts of the enterprise concern respectively as mentioned above. Balances of such FC accounts may be used through International Cards as mentioned in paragraph 2(b), chapter 19 of GFET.

### **4. Export/Selling of goods/services from HTPs**

Selling of goods from HTPs to abroad and to other places of Bangladesh through LC or contract (including sales within HTP, to other HTPs, to EPZs/EZs, to other areas of Bangladesh) shall be treated as exports. Exports from HTPs (abroad/within Bangladesh) are subject to the usual requirement of declaration in 'EXP Form' (without EXP Form in case of export in non-

physical form in terms of paragraph 23(b), chapter 8 of GFET) and repatriation of export proceeds mentioned in chapter 8 of GFET. For identification, EXP Forms for these exports (in physical form) should be rubber stamped with words "EXPORT FROM HTP" in bold letters.

#### **5. Selling of Bangladeshi goods or raw materials or non-physical contents to enterprises of HTPs**

Selling of permissible Bangladeshi goods or raw materials including non-physical contents to enterprises of HTPs through LC or contract shall be against convertible FC only to be received from FC accounts maintained by the enterprises of HTPs with ADs (also OBUs for 'Type A' enterprises) as mentioned above subject to compliance with other relevant instructions issued by BHTPA, NBR and Ministry of Commerce and such selling shall be treated as exports from Bangladesh within the purview of Foreign Exchange Regulation Act, 1947. 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 HTPs from other areas of Bangladesh.

#### **6. Import by enterprises of HTPs**

(a) For import from abroad by the enterprises of HTPs through LC or contract, usual IMP Form reporting procedures will, however, be applicable as mentioned in chapter 7 of GFET. For using foreign exchange fund from AD, instructions as mentioned in paragraph 21, chapter 16 of GFET shall be applicable for enterprises of HTPs. However, 'Type C' enterprises of HTPs shall be allowed to obtain foreign exchange from ADs to settle obligations for importing capital machinery by the conversion of equivalent amount of equity and/or authorized loan received in local currency. Similarly, 'Type B' enterprises may be allowed to convert their local equity/authorized loan received in local currency into foreign exchange to settle obligations for importing capital machinery if equity/authorized foreign loan received from abroad falls short to meet such obligations as per instruction mentioned in paragraph 19, chapter 16 of GFET.

(b) Payment against import of non-physical contents (software, bandwidth etc.) through e-delivery is subject to observance of the following instructions:

**i. Customs assessment of the purchases:** Import of non-physical contents through e-delivery needs customs assessment on the basis of import permit/ certificate issued by BHTPA to the effect that the purchase of non-physical contents is genuine and sourced from reliable supplier.

**ii. Outward remittances:** On receipt of customs assessment order/bill of entry and documentary evidence of payment of duties/taxes, if applicable, ADs may effect payment against the purchase of non-physical contents subject to compliance of the following conditions:

a) ADs shall be satisfied with the certification/license issued by the supplier that the non-physical contents has already been received by the purchaser;

b) ADs shall observe due diligence and comply with AML/CFT regulations in respect of the transactions;

c) ADs shall keep an authenticated copy of the certification/license issued by the supplier and report the transactions on IMP Form to Bangladesh Bank in monthly returns/schedules.

d) Instructions as stated above are applicable for OBUs executing transactions on behalf of 'Type A' enterprises.

## **7. Credit Facilities**

For obtaining 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 HTPs, instructions mentioned in chapter 16, section-II of GFET and its subsequent circulars shall be applicable. However, for obtaining medium and long term debt from abroad/OBUs of scheduled banks in Bangladesh by the enterprises of HTPs, applications for borrowing approvals shall have to be submitted to Bangladesh Bank through BHTPA following the procedures as mentioned in paragraph 7, chapter 15 of GFET.

## **8. Repatriation of dividend to non-resident Shareholders of 'Type A' and 'Type B' enterprises of HTPs**

ADs (also OBUs for 'Type A' enterprises) may remit dividends favoring non-resident shareholders of 'Type A' and 'Type B' enterprises of HTPs without prior permission of Bangladesh Bank subject to observance of the instructions stipulated in paragraph 31, chapter 10 of GFET. However, submission of documents to Bangladesh Bank as mentioned in paragraph 31(e), chapter 10 for post facto checking will not be required though usual reporting, online returns etc. shall be submitted by ADs/OBUs.

## **9. Repatriation of disinvestment proceeds by non-resident shareholders**

Sales proceeds of shares held by non-resident investors of HTP enterprises listed with the stock exchange(s) may be repatriated without prior approval of Bangladesh Bank following the instructions mentioned in paragraph 3(A), chapter 9 of GFET. Repatriation of sales proceeds of shares held by non-resident investors of HTP enterprises not listed with the stock exchange(s) may be effected with prior permission of Bangladesh Bank in accordance with FEID Circular No. 1, dated May 06, 2018.

## **10. 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 HTPs from their FC accounts without prior permission from Bangladesh Bank or BHTPA 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 (six) percent of the cost of imported machinery;
- (b) for ongoing concerns, not exceeding 6 (six) percent 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 BHTPA. Besides usual reporting to Bangladesh Bank, each transaction shall have to be reported to BHTPA also.

## **11. Working in HTPs by foreign nationals**

Foreign nationals working in HTPs (with valid work permit issued by BHTPA) and who have salary income as per work permit in Bangladesh are permitted to make monthly remittances to the country of their domicile out of their current savings upto 75 percent of their net income as mentioned in paragraph 8, chapter 11 of GFET. They are also permitted to remit 100 percent of leave salary, actual savings and all pension benefits without prior Bangladesh Bank approval as mentioned in chapter 11 of GFET.

## **12. Reporting**

ADs shall report all foreign exchange transactions of enterprises of HTPs through 'Online Foreign Exchange Transaction Monitoring System' of Bangladesh Bank. Such transactions are also to be reported in monthly returns to Statistics Department, Foreign Exchange Operation Department and other concerned offices of Bangladesh Bank in relevant Statements (S-10 and S-11), Schedules, etc. as mentioned in paragraph 14, chapter 2, GFET (Vol-2).

Please bring the contents of this circular to the notice of your concerned clientele.

Yours faithfully,



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