

Foreign Exchange Policy Department

Bangladesh Bank

Head Office

Dhaka.

Web site: www.bangladeshbank.org.bd

FE Circular No. 15

Date: September 02, 2010

All Authorized Dealers in
Foreign Exchange in Bangladesh

Dear Sirs,

Foreign exchange transactions for IT/Software firms

Attention of Authorized Dealers (ADs) is invited to paragraph 29(i), chapter 13 of Guidelines for Foreign Exchange Transactions (GFET-2009), Vol-I regarding utilization of balances held in Exporter's Retention Quota (ERQ) accounts for bonafide business purposes, such as business visits abroad, participation in export fairs and seminars, establishment and maintenance of offices abroad, import of raw materials, machineries and spares, etc. without reference to Bangladesh Bank. It is clarified that ADs on request by the IT/Software exporting firms can remit international alliance/software registration fee, domain registration/hosting fee, server maintenance fee, account verification/remittance test fee, etc. from the ERQ account of the applicant without prior approval of Bangladesh Bank.

02. It has now been decided to allow the ADs to remit up to USD 10,000 on behalf of IT/Software firms in a calendar year for the purposes mentioned in the above paragraph without prior approval of Bangladesh Bank subject to compliance of the following drill:

- (a) ADs shall ensure that the services against which fees have been paid are subsequently provided for;
- (b) Invoice/demand note from the beneficiary abroad along with relative documents will have to be attached to the application for remittance;
- (c) ADs shall ensure deduction of applicable tax and payment thereof;
- (d) An undertaking from the applicant company to the effect that, in case of wrong or excess remittance, the amount remitted will be repatriated to Bangladesh immediately on demand.
- (e) BASIS will issue letter of recommendation for a particular firm to a specific AD of applicant's choice. All subsequent letters of recommendations are to be addressed to the same AD. ADs shall maintain separate file for each firm to ensure maintenance of limit as set forth in this circular and for verification by Bangladesh Bank inspection team.
- (f) ADs shall report the transactions to the concerned area office of Bangladesh Bank.

Within the limit of USD 10,000, ADs may issue International Card (IC) favoring a nominated official of IT/Software firm for USD 1,000 with the recommendation of BASIS. The IC may be refilled for another USD 1,000 subject to production of documents evidencing the fact that the previous transactions were carried out for the purposes mentioned in the previous paragraphs. ADs shall ensure that the aggregate amount of refills of IC and outward payment through other means do not exceed USD 10,000 in a calendar year.

03) Export of software, data entry/processing without EXP procedure is allowed in non-physical form such as V-Sat, Internet or other electronic media as per stipulations of paragraph 23(b), chapter 8 of GFET-2009. In addition to transmission of IT enabled products through V-Sat, Internet or other electronic media, IT/Software exporting firms are involved in selling their products/services to the customers abroad through web/internet for which traditional sales contract may not be concluded. In the context of web based trade, the foreign buyer settles the payment through international credit cards (ICC) through internet/web. To accommodate such internet/web generated payment to beneficiary account, it has been decided to allow ADs to work as 'Acquiring Banks' for realization of internet/web generated payment favoring BASIS member IT/Software firms registered and operating in Bangladesh subject to compliance with following terms and conditions:

- a) ADs shall have the merchant agreements with the beneficiaries;
- b) ADs shall have to be satisfied that the beneficiaries have necessary arrangement for safe internet transactions;
- c) ADs shall have to be ensured that the beneficiaries have necessary approval, where applicable, from the competent authorities for conducting the business and are member firms of BASIS;
- d) ADs shall have to be satisfied that online payment is relevant with the nature of business of the beneficiaries;
- e) ADs shall make the payment, credited to their nostro accounts, available to beneficiaries' accounts on receipt of Form-C duly filled in from the beneficiaries. The ERQ accounts of the beneficiaries may be credited to the extent of permissible limit from the total payment provided that the transactions deserve such credits as per chapter 13, section IV of GFET;
- f) ADs shall comply with the instructions contained in paragraph 23, chapter 8 of GFET regarding export in non-physical form;
- g) ADs shall keep records of the transactions with documentary evidence in support of the payment.

As usual, ADs shall have to comply with the applicable regulations of foreign exchange transactions, AML/CFT, Payment and Settlement Systems and other relevant laws/regulations in force and report the transactions with monthly returns to Bangladesh Bank in the relevant schedules/statements.

04. Please acknowledge receipt and bring these instructions to the notice of all concerned.

Yours faithfully,

(Khandaker Abdus Salim)
Deputy General Manager
Phone: 7120375