

# Laws Related To Trade Finance

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What is foreign trade and international trade





# FOREIGN TRADE BUSINESS DEC' 21

Import

27300.22

Export

3322.59

Foreign Remittance

4891.85



# FOREIGN TRADE

## FOREIGN TRADE

### REASONS FOR FOREIGN TRADE

## Role of Bank in Foreign Trade

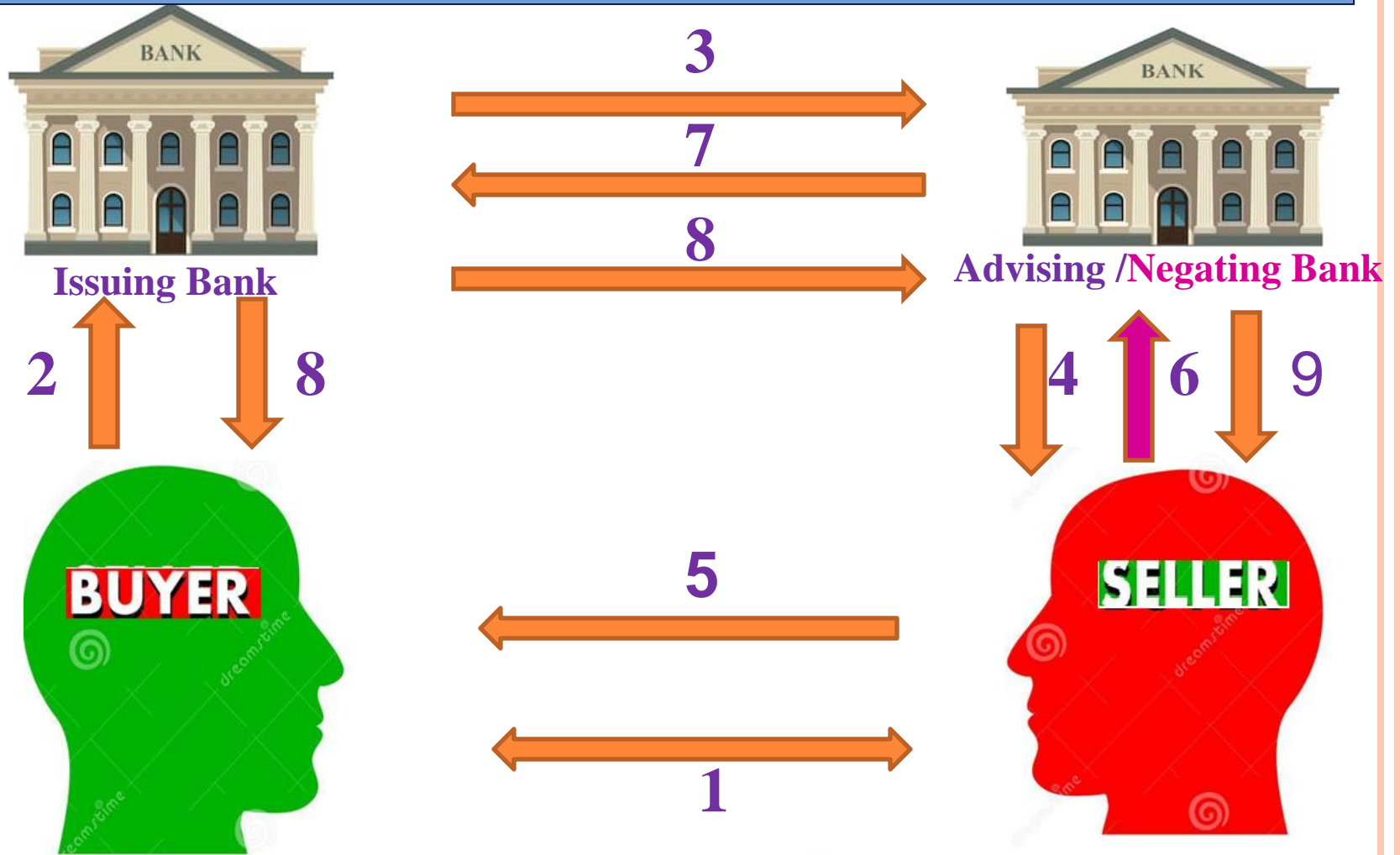


## Products & Services Related to Trade

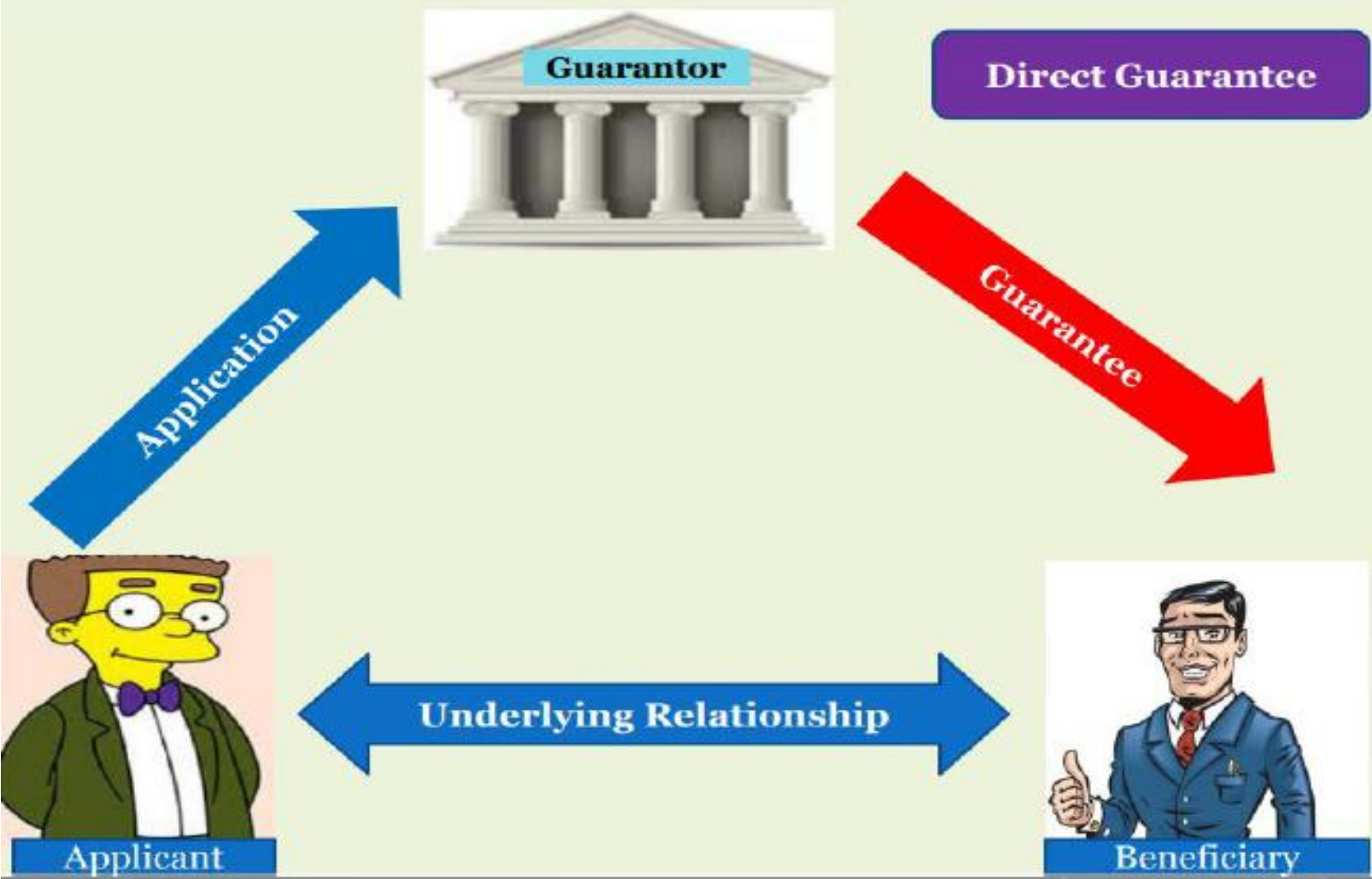
- a) All types of Documentary Credits
- b) All types of Bank Guarantees
- c) All types of Standby LCs
- d) All types of Bills for Collections
- e) Open Account Transactions
- f) Cash in Advance
- g) All kinds of trade finance and payments
- h) Import and export of services and software.
- i) Trade finance products (such as factoring)



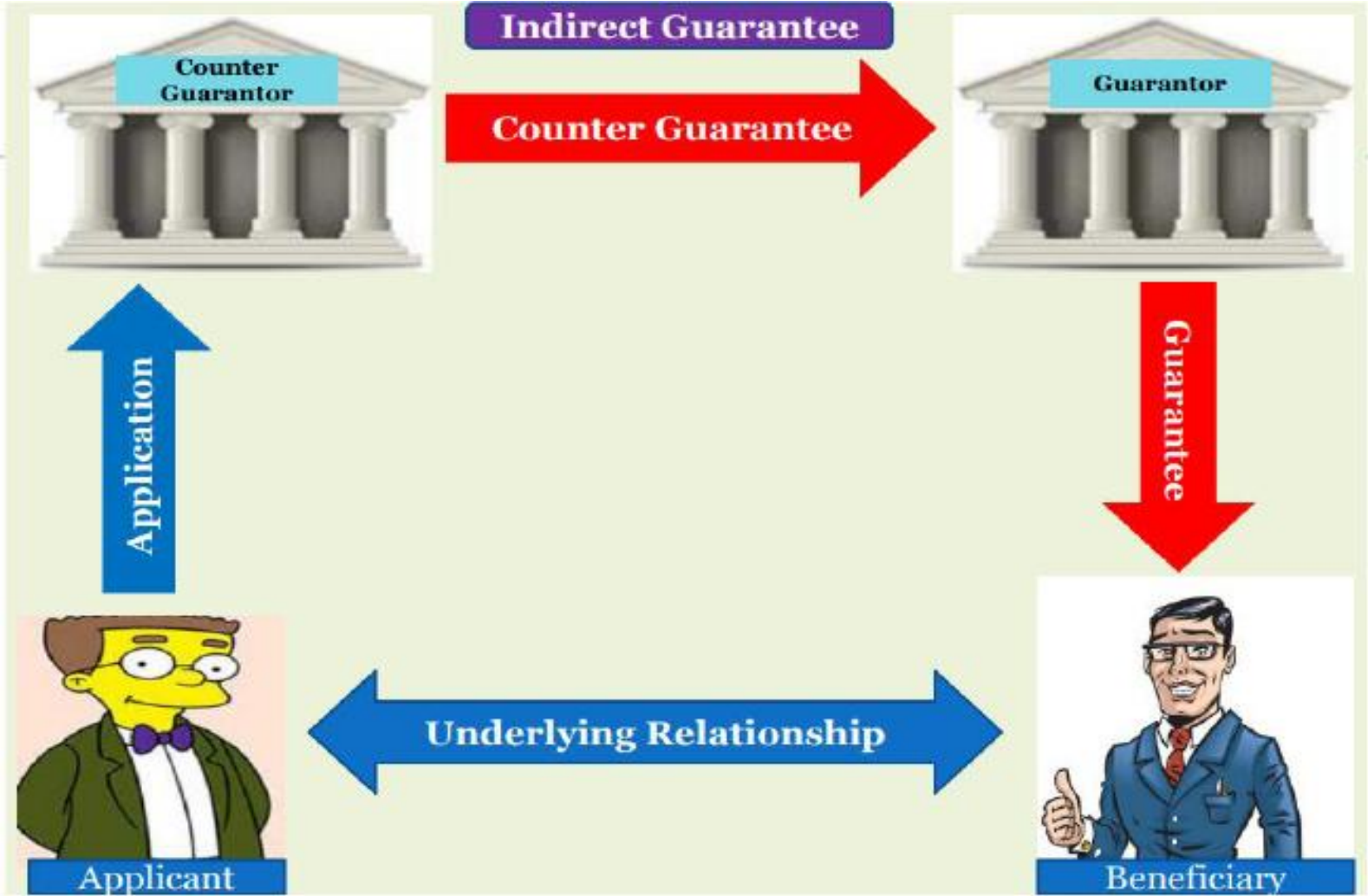
# The structure of a basic documentary credit transaction



# Bank Guarantee



# Bank Guarantee






# Parties Involved and Their Role in Trade


- ❖ Major Parties and their Role in Import
- ❖ Major Parties and their Role in Export
- ❖ Instructing Parties
- ❖ Counter Parties
- ❖ Related Parties to Trade
- ❖ Trade of Services

**Bangladesh Association of Software  
and Information Services (BASIS)**

**Primary player**  
**Sale/purchase contract**  
**Issuing , advising Bank**  
**Exporter**  
**Shipping Lines/Airlines**  
**Port Authority**  
**Customs Authority**  
**Clearing Agent**  
**Forwarding Agent**



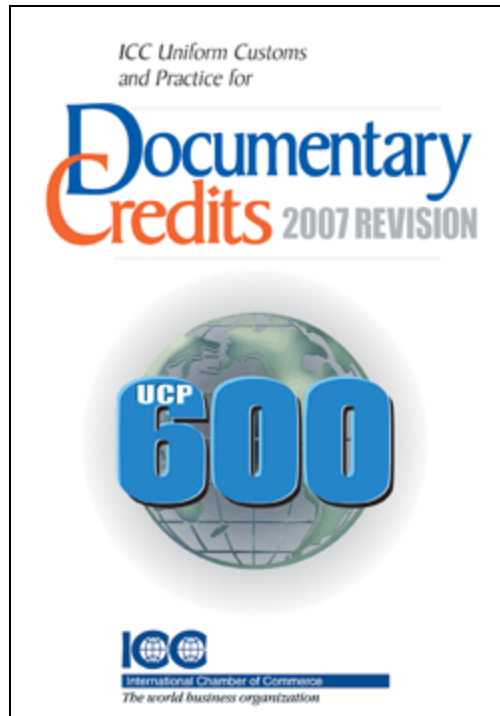
# **Regulatory Framework Governing Bangladesh Trade**

- **The Foreign Exchange Regulation Act, 1947**
  - **The Import and Export Control Act, 1950**
  - **The Customs Act, 1969**
  - **The Bangladesh Bank Order, 1972**
  - **The Importers, Exporters and Indentors (Registration) Order, 1981**
  - **The Import Policy Order (IPO) and the Export Policy**
  - **BEPZA, BEZA, EZ and PEZ regulations**
  - **Guidelines for Foreign Exchange Transactions (GFET) Vol: I & II**
  - **Guidelines for Prevention of Trade Based Money Laundering**
  - **Others**
- 

# International Rules, Regulations and Practices

- ❖ Uniform Customs and Practice for Documentary Credit (UCPDC) 600
- ❖ Uniform Rules for Collection (URC 522)
- ❖ Uniform Rules for Bank to Bank Reimbursement (URR 725)
- ❖ Incoterms 2020
- ❖ International Standard Banking Practice (ISBP 745)
- ❖ Uniform Rules for Demand Guarantees (URDG 758)
- ❖ International Standby Practices (ISP98)
- ❖ Others.

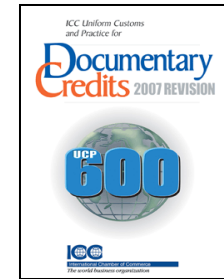
**It is to be noted that the local regulations generally prevail over the international ones.**

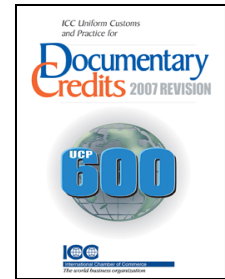


**Uniform Customs and Practice for  
Documentary Credit (UCPDC) 600**



- Article 1** Application of UCP
- Article 2** Definitions
- Article 3** Interpretations
- Article 4** Credits v. Contracts
- Article 5** Documents v. Goods, Services or Performance
- Article 6** Availability, Expiry Date and Place for Presentation
- Article 7** Issuing Bank Undertaking
- Article 8** Confirming Bank Undertaking
- Article 9** Advising of Credits and Amendments
- Article 10** Amendments
- Article 11** Teletransmitted and Pre-Advised Credits and Amendments
- Article 12** Nomination
- Article 13** Bank-to-Bank Reimbursement Arrangements
- Article 14** Standard for Examination of Documents
- Article 15** Complying Presentation
- Article 16** Discrepant Documents, Waiver and Notice
- Article 17** Original Documents and Copies
- Article 18** Commercial Invoice
- Article 19** Transport Document Covering at Least Two Different Modes of Transport
- Article 20** Bill of Lading
- Article 21** Non-Negotiable Sea Waybill





**Article 22** Charter Party Bill of Lading

**Article 23** Air Transport Document

**Article 24** Road, Rail or Inland Waterway Transport Documents

**Article 25** Courier Receipt, Post Receipt or Certificate of Posting

**Article 26** "On Deck", "Shipper's Load and Count", "Said by Shipper to Contain" and Charges Additional to Freight

**Article 27** Clean Transport Document

**Article 28** Insurance Document and Coverage

**Article 29** Extension of Expiry Date or Last Day for Presentation

**Article 30** Tolerance in Credit Amount, Quantity and Unit Prices

**Article 31** Partial Drawings or Shipments

**Article 32** Installment Drawings or Shipments

**Article 33** Hours of Presentation

**Article 34** Disclaimer on Effectiveness of Documents

**Article 35** Disclaimer on Transmission and Translation

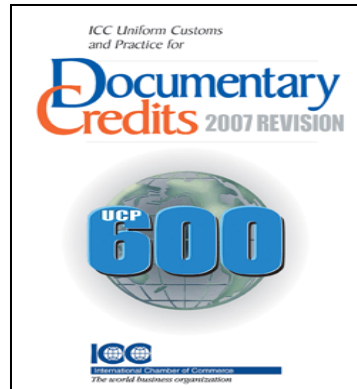
**Article 36** Force Majeure

**Article 37** Disclaimer for Acts of an Instructed Party

**Article 38** Transferable Credits

**Article 39** Assignment of Proceeds



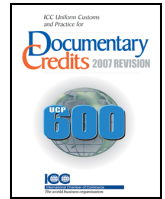


## Article 01

### Application of UCP

The Uniform Customs and Practice for Documentary Credits, 2007 Revision, ICC Publication no. 600 ("UCP") are rules that apply to any documentary credit ("credit") (including, to the extent to which they may be applicable, any standby letter of credit) when the text of the credit expressly indicates that it is subject to these rules. They are binding on all parties thereto unless expressly modified or excluded by the credit.

## Article 2 Definitions



For the purpose of these rules:

**Advising bank** means the bank that advises the credit at the request of the issuing bank.

**Applicant** means the party on whose request the credit is issued.

**Banking day** means a day on which a bank is regularly open at the place at which an act subject to these rules is to be performed.

**Beneficiary** means the party in whose favour a credit is issued.

**Complying presentation** means a presentation that is in accordance with the terms and conditions of the credit, the applicable provisions of these rules and international standard banking practice.

**Confirmation** means a definite undertaking of the confirming bank, in addition to that of the issuing bank, to honour or negotiate a complying presentation.

**Confirming bank** means the bank that adds its confirmation to a credit upon the issuing bank's authorization or request.





## Article 2 Definitions



**Credit** means any arrangement, however named or described, that is **irrevocable** thereby constitutes a **definite undertaking** of the issuing bank to honour a **complying presentation**.

**Honour means:**

- a. to pay at sight if the credit is available by sight payment.
- b. to incur a deferred payment undertaking and pay at maturity if the credit is available by deferred payment.
- c. to accept a bill of exchange (“draft”) drawn by the beneficiary and pay at maturity if the credit is available by acceptance.

**Issuing bank** means the bank that issues a credit at the request of an applicant or on its own behalf.

**Negotiation** means the purchase by the nominated bank of drafts (drawn on a bank other than the nominated bank) and/or documents under a complying presentation, by advancing or agreeing to advance funds to the beneficiary on or before the banking day on which reimbursement is due to the nominated bank.

**Nominated bank** means the bank with which the credit is available or any bank in the case of a credit available with any bank.

**Presentation means** either the delivery of documents under a credit to the issuing bank or nominated bank or the documents so delivered.

## Article 4 Credits v. Contracts

**a.** A credit by its nature is a **separate transaction** from the sale or other contract on which it may be based. Banks are in no way concerned with or bound by such contract, even if any reference whatsoever to it is included in the credit. Consequently, the undertaking of a bank to honour, to negotiate or to fulfil any other obligation under the credit is not subject to claims or defences by the applicant resulting from its relationships with the issuing bank or the beneficiary.

A beneficiary can in no case avail itself of the contractual relationships existing between banks or between the applicant and the issuing bank.

**b.** An issuing bank should discourage any attempt by the applicant to include, as **an integral part of the credit**, copies of the underlying contract, proforma invoice and the like.

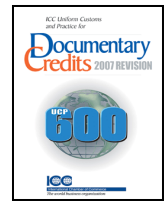


## Article 5 Documents v. Goods, Services or Performance

Banks deal with documents and not with goods, services or performance to which the documents may relate.



## Article 7 Issuing Bank Undertaking



- a.** Provided that the stipulated documents are presented to the nominated bank or to the issuing bank and that they constitute a complying presentation, the issuing bank must **honour** if the credit is available by:
- i. sight payment, deferred payment or acceptance with the issuing bank;
  - ii. sight payment with a nominated bank and that nominated bank does not pay;
  - iii. deferred payment with a nominated bank and that nominated bank does not incur its deferred payment undertaking or, having incurred its deferred payment undertaking, does not pay at maturity;
  - iv. acceptance with a nominated bank and that nominated bank does not accept a draft drawn on it or, having accepted a draft drawn on it, does not pay at maturity;
  - v. negotiation with a nominated bank and that nominated bank does not negotiate.

## Article 7 Issuing Bank Undertaking

**b.** An issuing bank is **irrevocably bound to honour** as of the time it issues the credit.

**c.** An issuing bank undertakes to reimburse a nominated bank that has honoured or negotiated a complying presentation and forwarded the documents to the issuing bank. Reimbursement for the amount of a complying presentation under a credit available by acceptance or deferred payment is due at maturity, whether or not the nominated bank prepaid or purchased before maturity. **An issuing bank's undertaking to reimburse a nominated bank is independent of the issuing bank's undertaking to the beneficiary.**

## Article 14 Standard for Examination of Documents

- a. A nominated bank acting on its nomination, a confirming bank, if any, and the issuing bank must examine a presentation to determine, on the basis of the documents alone, whether or not the documents appear on their face to constitute a complying presentation.
- b. A nominated bank acting on its nomination, a confirming bank, if any, and the issuing bank shall each have a maximum of five banking days following the day of presentation to determine if a presentation is complying. This period is not curtailed or otherwise affected by the occurrence on or after the date of presentation of any expiry date or last day for presentation.

## Article 14 Standard for Examination of Documents

c. A presentation including one or more original transport documents subject to articles 19, 20, 21, 22, 23, 24 or 25 must be made by or on behalf of the beneficiary **not later than 21 calendar days after the date of shipment** as described in these rules, **but in any event not later than the expiry date of the credit.**



## Article 15 Complying Presentation

- a. When an **issuing bank** determines that a presentation is complying, it must honour.
- b. When a **confirming bank** determines that a presentation is complying, it must honour or negotiate and forward the documents to the issuing bank.
- c. When a **nominated bank** determines that a presentation is complying and honours or negotiates, **it must forward the documents to the confirming bank or issuing bank.**





## Article 16 Discrepant Documents, Waiver and Notice

- a. When a **nominated bank** acting on its nomination, a **confirming bank**, if any, or the **issuing bank** determines that a presentation **does not comply**, it **may refuse to honour or negotiate**.
  
- b. When an issuing bank determines that a presentation does not comply, it may in its sole judgement approach the applicant for a waiver of the discrepancies. This does not, however, extend the period mentioned in sub-article 14 (b).



## Article 16 Discrepant Documents, Waiver and Notice



c. When a nominated bank acting on its nomination, a confirming bank, if any, or the issuing bank decides to refuse to honour or negotiate, it must give a **single notice** to that effect to the presenter.

The notice must state:

- i.** that the bank is refusing to honour or negotiate; and
- ii.** each discrepancy in respect of which the bank refuses to honour or negotiate; and
- iii.** a) that the bank is holding the documents pending further instructions from the presenter; or
  - b) that the issuing bank is holding the documents until it receives a waiver from the applicant and agrees to accept it, or receives further instructions from the presenter prior to agreeing to accept a waiver; or
  - c) that the bank is returning the documents; or
  - d) that the bank is acting in accordance with instructions previously received from the presenter.



## Article 16 Discrepant Documents, Waiver and Notice

- d.** The notice required in sub-article 16 (c) must be given by telecommunication or, if that is not possible, by other expeditious means no later than the close of the fifth banking day following the day of presentation.
- e.** A nominated bank acting on its nomination, a confirming bank, if any, or the issuing bank may, after providing notice required by sub-article 16 (c) (iii) (a) or (b), return the documents to the presenter at any time.
- f.** If an issuing bank or a confirming bank fails to act in accordance with the provisions of this article, it shall be precluded from claiming that the documents do not constitute a complying presentation.
- g.** When an issuing bank refuses to honour or a confirming bank refuses to honour or negotiate and has given notice to that effect in accordance with this article, it shall then be entitled to claim a refund, with interest, of any reimbursement made.

## Article 20 Bill of Lading

- a. A bill of lading, however named, must appear to:
- i. indicate the name of the carrier and be signed by:
- the carrier or a named agent for or on behalf of the carrier, or
  - the master or a named agent for or on behalf of the master.

Any signature by the carrier, master or agent must be identified as that of the carrier, master or agent.

Any signature by an agent must indicate whether the agent has signed for or on behalf of the carrier or for or on behalf of the master.



## Article 20 Bill of Lading

ii. indicate that the goods have been **shipped on board a named vessel** at **the port of loading** stated in the credit by:

- pre-printed wording, or
- an on board notation indicating the date on which the goods have been shipped on board.

**The date of issuance** of the bill of lading will be deemed to be **the date of shipment** unless the bill of lading contains an on board notation indicating the date of shipment, in which case the date stated in the on board notation will be deemed to be the date of shipment.

If the bill of lading contains the indication **"intended vessel"** or similar qualification in relation to the name of the vessel, **an on board notation indicating the date of shipment and the name of the actual vessel is required.**



## Article 20 Bill of Lading

**iii.** indicate shipment from the port of loading to the port of discharge stated in the credit.

If the bill of lading does not indicate the port of loading stated in the credit as the port of loading, or if it contains the indication “intended” or similar qualification in relation to the port of loading, an on board notation indicating the port of loading as stated in the credit, the date of shipment and the name of the vessel is required. This provision applies even when loading on board or shipment on a named vessel is indicated by preprinted wording on the bill of lading.

**iv.** be the sole original bill of lading or, if issued in more than one original, be the full set as indicated on the bill of lading.

**v.** contain terms and conditions of carriage or make reference to another source containing the terms and conditions of carriage (short form or blank back bill of lading). Contents of terms and conditions of carriage will not be examined.



## Article 20 Bill of Lading

- b.** For the purpose of this article, **transshipment** means unloading from one vessel and reloading to another vessel during the carriage from the port of loading to the port of discharge stated in the credit.
- c.** i. A bill of lading may indicate that the goods will or may be transshipped provided that the entire carriage is covered by one and the same bill of lading.
- ii. A bill of lading indicating that transshipment will or may take place is acceptable, even if the credit prohibits transshipment, if the goods have been shipped in a container as evidenced by the bill of lading.
- d.** Clauses in a bill of lading stating that the carrier reserves the right to tranship will be disregarded.



## Article 26 "On Deck", "Shipper's Load and Count", "Said by Shipper to Contain" and Charges Additional to Freight

- a. A transport document **must not** indicate that **the goods are or will be loaded on deck**. A clause on a transport document stating that the **goods may be loaded on deck** is acceptable.
- b. A transport document bearing a clause such as "shipper's load and count" and "said by shipper to contain" is acceptable.
- c. A transport document may bear a reference, by stamp or otherwise, to charges additional to the freight.





## Article 27 Clean Transport Document

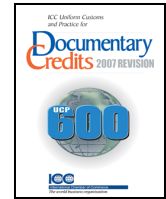
A bank will only accept a clean transport document. A clean transport document is one bearing no clause or notation expressly **declaring a defective condition of the goods or their packaging**. The word “clean” need not appear on a transport document, even if a credit has a requirement for that transport document to be “clean on board”.



## Article 29 Extension of Expiry Date or Last Day for Presentation

- a.** If the expiry date of a credit or the last day for presentation falls on a day when the bank to which presentation is to be made is closed for reasons other than those referred to in article 36, the expiry date or the last day for presentation, as the case may be, will be extended to the first following banking day.
- b.** If presentation is made on the first following banking day, a nominated bank must provide the issuing bank or confirming bank with a statement on its covering schedule that the presentation was made within the time limits extended in accordance with sub-article 29 (a).
- c.** The latest date for shipment will not be extended as a result of sub-article 29 (a).





## Article 33 Hours of Presentation

A bank has no obligation to accept a presentation outside of its banking hours.



## Article 39 Assignment of Proceeds

The fact that a credit is not stated to be transferable shall not affect the right of the beneficiary to assign any proceeds to which it may be or may become entitled under the credit, in accordance with the provisions of applicable law. This article relates only to the assignment of proceeds and not to the assignment of the right to perform under the credit.



# Incoterms<sup>®</sup>

2020 by the International  
Chamber of Commerce (ICC)



## The Foreign Exchange Regulation Act, 1947

1. Short title, extent and commencement
3. Authorised dealers in foreign exchange
4. Restrictions on dealing in foreign exchange
5. Restrictions on payment
8. Restrictions on import and export of certain currency and bullion



## The Foreign Exchange Regulation Act, 1947

- 11. Power to regulate the uses, etc., of imported gold and silver
- 18. Certain provisions as to companies
- 18B. Restriction on foreign companies
- 19. Power to call for information



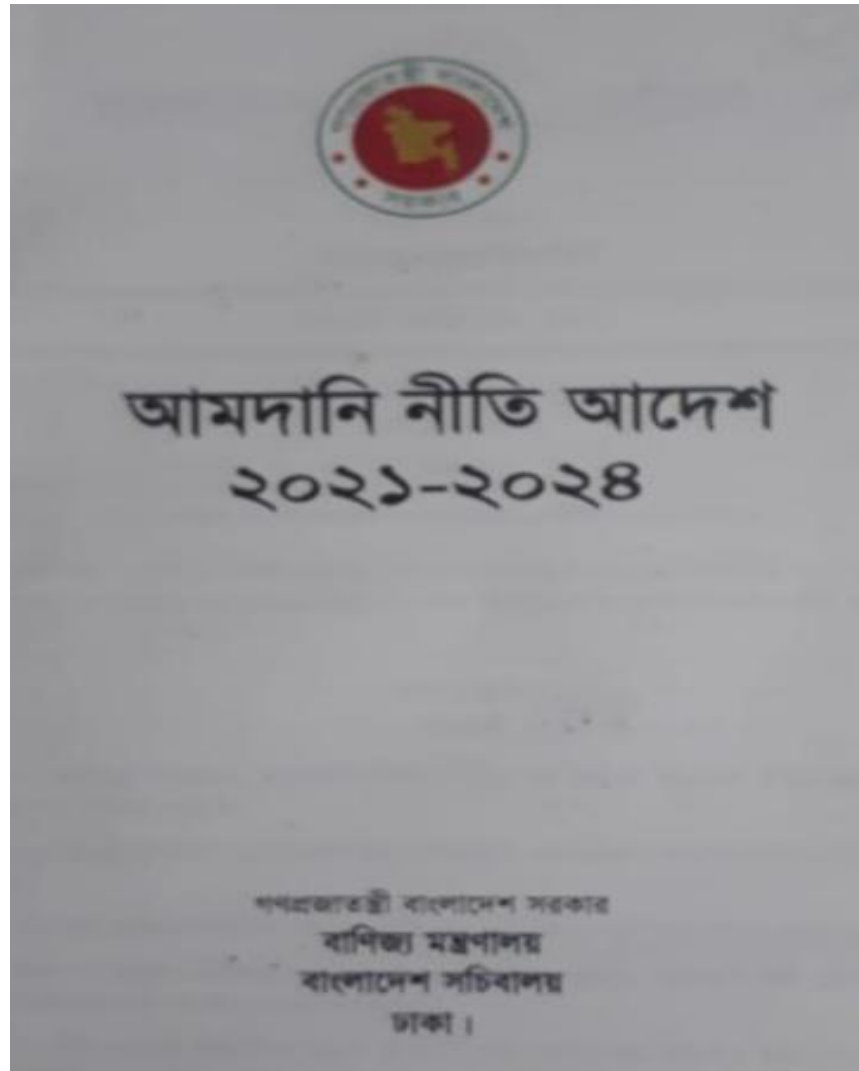
## The Foreign Exchange Regulation Act, 1947

- 19A. Power of inspection
- 22. False statements
- 23. Penalty and procedure
- 25. Power to Government to give direction
- 27. Power to make rules





# Import Policy Order



# Import Policy Order

1. Prelude
2. General Provisions for Import
3. Special Provisions for Import
4. Provisions for Industrial Import
5. Provisions for Commercial Importers
6. Import by Public Sector Importers
7. Import Trade Control (ITC) Committee



# Harmonized System Codes (HS Codes)



# Harmonized System Codes (HS Codes)

HS Codes or Harmonized System Codes are an industry standard by which export goods are tagged with. The Harmonized System is a numerical method that is a standardized way of classifying trade products. As there are a large number of goods that are traded among the countries, there needs to be a standard way of marking them. Otherwise, it can create huge confusion and slow down the trading process.

In terms of export and import, there is a customs duty that needs to be paid. The HS code helps to identify the product easily and thus helps with the speedy and accurate calculator of custom fees.

**First schedule**



# Harmonized System Codes (HS Codes)

Heading	H.S. Code	Description	Statistical Unit	Statutory Rate of Import Dut	Statutory Rate of Export Duty
(1)	(2)	(3)	(4)	(5)	(6)
<b>06.01</b>		<b>Bulbs, tubers, tuberous roots, corms, crowns and rhizomes, dormant, in growth or in flower; chicory plants and roots other than roots of Heading.12.12.</b>			
	0601.10.00	- Bulbs, tubers, tuberous roots, corms, crowns and rhizomes, dormant	u	5%	Free
	0601.20.00	- Bulbs, tubers, tuberous roots, corms, crowns and rhizomes, in growth or in flower; chicory plants and roots	u	5%	Free
<b>06.02</b>		<b>Other live plants (including their roots), cuttings and slips; mushroom spawn.</b>			
	0602.10.00	- Unrooted cuttings and slips	u	5%	Free
	0602.20.00	- Trees, shrubs and bushes, grafted or not, of kinds which bear edible fruit or nuts	u	5%	Free
	0602.30.00	- Rhododendrons and azaleas, grafted or not	u	5%	Free
	0602.40.00	- Roses, grafted or not	u	5%	Free
		- Other			
	0602.90.10	-- Mushroom	u	15%	Free
	0602.90.90	-- Other	u	5%	Free
<b>06.03</b>		<b>Cut flowers and flower buds of a kind suitable for bouquets or for ornamental purposes, fresh, dried, dyed, bleached, impregnated or otherwise prepared.</b>			
		- Fresh :			
	0603.11.00	-- Roses	kg	25%	Free
	0603.12.00	-- Camations	kg	25%	Free

# Harmonized System Codes (HS Codes)

## **Mandatory of using H.S. Code-**

**Use of H.S. Code** with at least eight digits corresponding to the classification of goods as given in the **First Schedule** of the Customs Act, 1969 (Act No. IV of 1969) based on the Harmonized Commodity Description and Coding System shall be mandatory; **Provided that no bank shall issue LC Authorization Form or open LC if the H.S. Code number for the item is not mentioned correctly.**



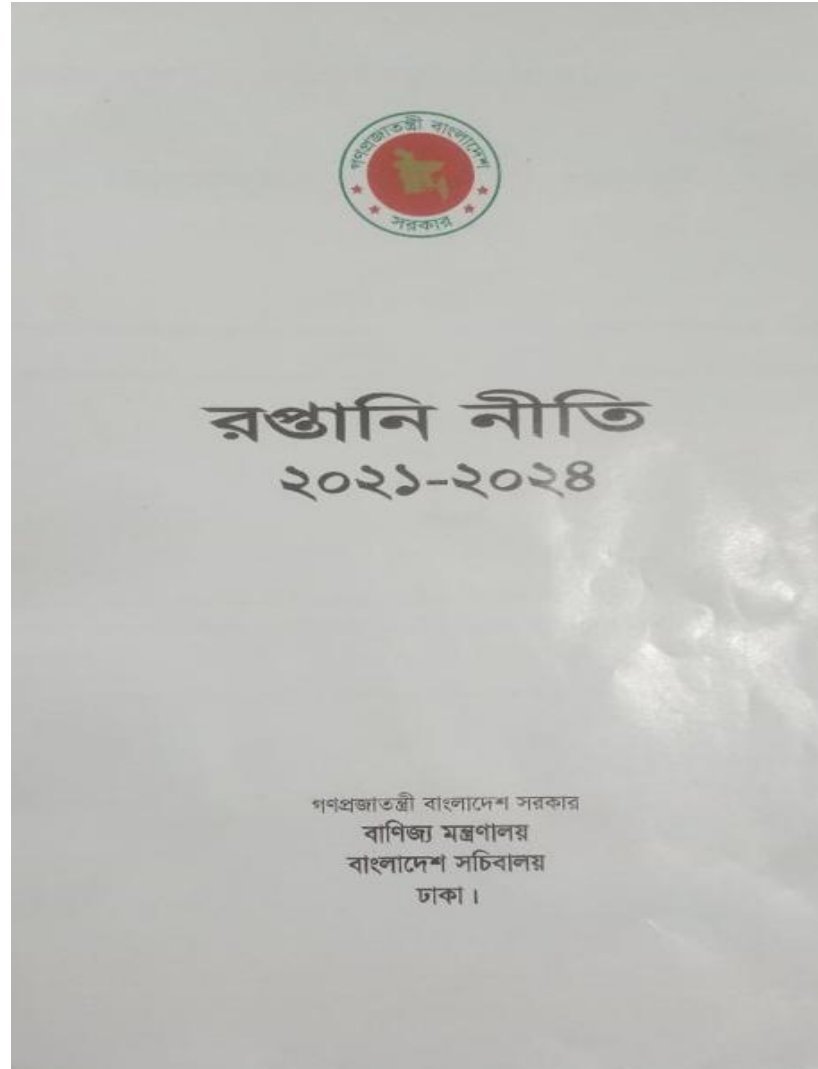
# Harmonized System Codes (HS Codes)

## **Recording of H.S. Code Number-**

At the time of opening LC, commercial banks shall record appropriate description, HS Code number and reasonable price of the imported goods. Bangladesh Bank shall monitor the compliance of the above requirements by the scheduled banks;

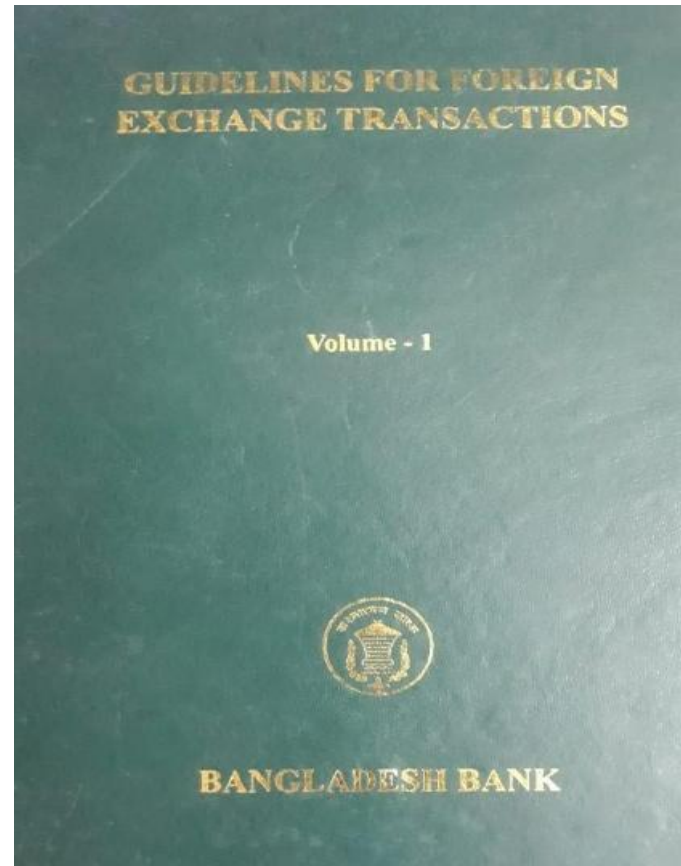


## The Export Policy





# Guidelines for Foreign Exchange Transactions (GFET) Vol: I & II



# Guidelines for Foreign Exchange Transactions (GFET) Vol: I & II

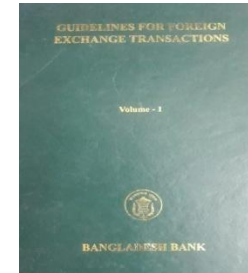
1. Introductions and Definitions [detail..](#) (591 KB)
2. Section 1: Authorised Dealers and Money Changers [detail..](#) (284 KB)  
Section 2: Instructions for Money Changers [detail..](#) (334 KB)
3. Bangladesh Bank's Transactions with ADS. [detail..](#) (306 KB)
4. Section 1: Foreign Currency Accounts of the ADs and Purchase and sale of Foreign Currency [detail..](#) (296 KB)  
Section 2: Forward Dealings in Foreign Exchange [detail..](#) (288 KB)  
Section 3: Hedging the Price Risk of Commodities [detail..](#) (279 KB)  
Section 4: Non-Resident Taka Accounts of Foreign Bank Branches and Correspondents [detail..](#) (275 KB)
5. Section 1: Outward Remittances. [detail..](#) (56 KB)  
Section 2: Inward Remittances. [detail..](#) (291 KB)  
Section 3: Dealings in Foreign Currency Notes and Coins etc. [detail..](#) (298 KB)
6. Import and Export of Currency Notes and Coins, Foreign Exchange, Gold, silver, Jewellery and Securities etc. [detail..](#) (351 KB)
7. Section 1: Imports. [detail..](#) (373 KB)  
Section 2: Letters of Credits and Remittances against Imports. [detail..](#) (465 KB)  
Section 3: Back to Back LCs [detail..](#) (319 KB)  
Section 4: Deposit of Counterpart Fund in respect of Imports under Non-Project Commodity Loans/Credits/Grants [detail..](#) (311 KB)
8. Section 1: Exports. [detail..](#) (617 KB)  
Section 2: Export from the Export Processing Zone. [detail..](#) (287 KB)
9. Section 1: Foreign Investment in Bangladesh. [detail..](#) (332 KB)  
Section 2: Operations in Securities [detail..](#) (306 KB)
10. Commercial Remittances (Other than for Imports) [detail..](#) (849 KB)
11. Private Remittances. [detail..](#) (519 KB)
12. Travel [detail..](#) (566 KB)

# Guidelines for Foreign Exchange Transactions (GFET) Vol: I & II

13	Section 1: Private Foreign Currency Accounts <a href="#">detail..</a> (362 KB)
	Section 2: Non-Resident Private Foreign Currency Deposit Accounts. <a href="#">detail..</a> (300 KB)
	Section 3: Resident Private Foreign Currency Deposit Accounts. <a href="#">detail..</a> (281 KB)
	Section 4: Exporters' Retention Quota Accounts <a href="#">detail..</a> (312 KB)
	Section 5: Foreign Currency Accounts for the EPZ Companies. <a href="#">detail..</a> (286 KB)
	Section 6: Other Foreign Currency Accounts <a href="#">detail..</a> (313 KB)
14	Section 1: Convertible and Non-convertible Taka Accounts. <a href="#">detail..</a> (284 KB)
	Section 2: Private Non-Resident Taka Accounts. <a href="#">detail..</a> (363 KB)
	Section 3: Non-Resident Blocked Taka Accounts. <a href="#">detail..</a> (293 KB)
	Section 4: Non-Resident Investor's Taka Accounts (NITA). <a href="#">detail..</a> (290 KB)
15	Borrowing Abroad by Residents. <a href="#">detail..</a> (319 KB)
16	Section 1: Loans, Overdrafts and Guarantees. <a href="#">detail..</a> (417 KB)
	Section 2: Credit Facilities to Industries in Export Processing Zones. <a href="#">detail..</a> (318 KB)
17	Section 1: Foreign exchange transactions for agency services <a href="#">detail..</a> (275 KB)
	Section 2: Transaction with Branch offices, Liaison offices, Representative offices etc. <a href="#">detail..</a> (280 KB)
	Section 3: Foreign Exchange Transactions of Freight Forwarders <a href="#">detail..</a> (279 KB)
18	Section 1: Insurance Business. <a href="#">detail..</a> (322 KB)
	Section 2: Reinsurance. <a href="#">detail..</a> (277 KB)
19	Payment through International Cards. <a href="#">detail..</a> (377 KB)
20	Foreign Exchange Transactions by the Enterprises of Economic Zones in Bangladesh <a href="#">detail..</a> (341 KB)



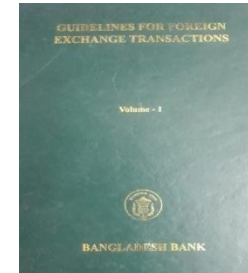
## CHAPTER 7, SECTION -1, IMPORTS



1. (a) Import Trade Control  
(b) Registration of Importers  
(c) Online reporting
2. Dealing with known customer
3. Terms of imports
4. Imports under special arrangements
5. Use of correct HS Code
6. LC Authorisation Form
7. Endorsement on LCAF
8. Cancellation of LCAF



## CHAPTER 7, SECTION -1, IMPORTS



- 10.** Amounts for which LC may be opened and remittances made under LCAF
  - (ii) Applicable exchange rate on retirement of import bill
- 11.** Remittance in excess of the value of the LCAF
- 14.** Disposal of fully utilised or unutilised LCAF
- 16.** Imports on FOB basis
- 17.** Import against LCAF without opening LC



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**Guidelines for  
Prevention of Trade Based Money Laundering**

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**Bangladesh Financial Intelligence Unit**

**Bangladesh Bank  
Dhaka, Bangladesh**

**2019**

**Guidelines for Prevention of  
Trade Based Money Laundering**



# Trade-Based Money Laundering

FATF defined trade-based money laundering (TBML) as the process of **disguising the proceeds of crime** and **moving value through the use of trade transactions** in an attempt **to legitimize their illicit origins.**

In 2006 the Financial Action Task Force (FATF) recognized trade based money laundering.



## Scope of TBML in Bangladesh

### TRADE-BASED MONEY LAUNDERING TECHNIQUES

- **Over-invoicing**
- **Under-invoicing**
- **Multiple Invoicing**
- **Over Shipment**
- **Short shipment**
- **Ghost-shipment/ Phantom Shipment**
- **Complicated Payment Structure**
- **Discount**






## **Key Challenges and Difficulties in Preventing Trade Based Money Laundering in Bangladesh**

- a) Price Verification for Financial Crime Control**
- b) Transfer Pricing**
- c) Limited Skilled Manpower**
- d) Extreme Competition**
- e) Absence of Co-ordination**
- f) Absence of Management Information Systems (MIS), a Central Data Base, Uniform Price List**
- g) Duty/Tax structure**



## How to Prevent TBML

For Trade Business we also must do following along with those above:-

- Importer and Exporter credit report. Importers credit report is essential before opening the letter of credit. Exporter's credit report is required after getting the export L/C. If credit report is sound than we shall work.
  - Price verification must be online, Reuter, Embassy/high commission office.
  - Checking whether supplies country is the country of origin of goods or not.
  - Checking whether the freight charge is higher then the value of goods or not. If freight charge is higher then there is possibility of money laundering.
  - Check Importers/Exporters previous track or line of business.
  - Verify the behavior of the customers. If they create pressure or wants to leave our bank then try to understand their intention.
  - Check whether the importer all of a sudden trying to import abnormally several time higher than the past time.
  - Try to find out whether the importer and exporter both are same or some how related.
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## How to Prevent TBML


- Vessel tracking.
- Sanction screening.
- Bankers Almanac for shell bank verification.
- When exporter place export document to nominated bank, banker should verify the document according to L/C terms and conditions to check whether there is under invoicing or over invoicing.
- During accepting Export L/C/Master L/C we should check description of the goods.
- Some times it is found that for getting more export subsidy the bill of export is tempered very technically which cannot be seen normally. Simply change a number but there is a great fraud and transferring huge amount of money.
- Some times criminal can submit false bill of entry to make payment.
- High Risk country.



## How to Prevent TBML

- H.S. code changing in commercial invoice to avoid duty and taxes.
- Refund from third country not related to the beneficiary is not acceptable.
- Export proceeds from non-bank financial institution /other than the L/C issuing bank is not acceptable.
- Violation of the IPO & Export policy of the country.
- Swift Password should be maintained confidentially.



- **The Import and Export Control Act, 1950** controls the import and export of goods to and from Bangladesh
  - **The Customs Act, 1969** defines the operational customs procedures of import and export in Bangladesh.
  - **The Bangladesh Bank Order, 1972** empowers Bangladesh Bank (BB) as the Central Bank of the country to formulate and implement intervention policies in the foreign exchange market and to hold and manage the official foreign reserves of Bangladesh.
  - **The Importers, Exporters and Indentors (Registration) Order, 1981** empowers the Chief Controller of Import and Export (CCI&E) to issue license as Import Registration Certificate (IRC), Export Registration Certificate (ERC), Import Permit (IP) and Export Permit (EP) to importer and exporter of Bangladesh to perform trade.
  - **BEPZA, BEZA, EZ and PEZ regulations** regulate the import and export of Special Economic Zones.
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