

Export Finance

Presented by

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What is an 'Export'?

An export is a function of international trade whereby goods produced in one country are shipped to another country for future sale or trade. The sale of such goods adds to the producing nation's gross output.

What is 'Financing'

Financing is the act of providing funds for business activities, making purchases or investing. Financial institutions and banks are in the business of financing as they provide capital to businesses, consumers and investors to help them achieve their goals. The use of financing is vital in any economic system, as it allows companies to purchase products out of their immediate reach.

Export Financing

- Export Financing is a financial assistance/loan/contribution to exporter before or after the shipment of goods/ commodities provided by the bank/ financial institution under stipulated rules and regulations .

Export finance

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graph TD; A["Export finance"] --> B["Pre-shipment"]; A --> C["Post-shipment"]; B --> B1["1. Back to Back LC"]; B --> B2["2. Packing Credit"]; B --> B3["3. EDF"]; C --> C1["1. IBP"]; C --> C2["2. FBP"];
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Pre-shipment

1. Back to Back LC
2. Packing Credit
3. EDF

Post-shipment

1. IBP
2. FBP

1. Back to Back L/C

For collecting or importing of raw materials sometimes beneficiary of an export LC is allowed to open an import LC keeping export LC under bank's lien. These type of LC is called back to back LC.

In back to back LC, amount and shipment date are curtailed than the original credit.

Back to Back LC may be of the following two categories

- i) Inland/Local back to back LC
- ii) Foreign back to back LC

Information before opening back to back LC

- a) Valid Trade license
- b) Valid IRC & ERC with CCI & E and BIN No.
- c) Registered partnership deed (in case of partnership firm)
- d) Registration with RJSC in case of limited company
- e) MA & AA in case of limited company
- f) Resolution regarding Account opening, operation & borrowing capacity of the company
- g) Certificate of Incorporation
- h) Certificate of commencement of business in case of public limited company.
- i) Up to date TIN (company and directors/partners) certificate
- j) VAT
- k) Certificate of BOI
- l) Fire license certificate
- m) Bonded warehouse license

2. Packing Credit

Packing Credit is allowed for making necessary preparation for shipment of goods. This finance generally covers cost of packing, transportation from godown to the port of shipment, insurance etc.

As per Circular no. Proka/Trebi/2020/02, dated 21/04/2020 of Head Office, Treasury Division :

1) Sector:

a) Readymade Garments:

b) Frozen Food/ Fish Export/ Leather Export/ Jute Export

2) সুদের হারঃ ৭% । মেয়াদোত্তীর্ণ সম্পূর্ণ বা আংশিক ঋণ স্থিতির উপর ৯% সুদ হার আরোপযোগ্য হবে।

3) Tenure:

a) In case of sight bill: Date of Shipment+21 Days or date of export proceeds realization whichever is earlier.

In case of Usance bill: Date of Shipment+ Usance Period+ 8 Days or date of export proceeds realization whichever is earlier.

3. Export Development Fund (EDF)

- Established in 1989, the EDF is intended to facilitate financing in foreign currency for input procurements by manufacturer-exporters. EDF is allowed for making payment of Back to Back sight LC.
- AD may apply for EDF to Forex Reserve & Treasury Management Department, Bangladesh Bank through HO/ID.
- Interest rate:

Interest rate on EDF loans to ADs will be charged by BB @ 3.00%, while ADs will charge interest to manufacturer-exporters @ 4.5%, for disbursement until further instructions. (FE Circular No. 02 dtd.01.02.2023)

- Penal Interest: Penal Interest will be charged by BB to ADs at 4% above the prevailing interest rate on overdue amount of EDF loans for the delayed period.

Tenure : Within 180 days from the date of disbursement, extendable by BB up to 270 days upon application to BB explaining the necessity of longer period for repatriation of export proceeds.

Post Shipment Export Finance

- A) Foreign Bill Purchased/Negotiation of Export documents
- B) Inland Bill Purchased

Post Shipment Export Finance

Foreign Bill Purchase (FBP)

Under this arrangement, after the goods are shipped, the exporter submits the concerned documents to the negotiating bank for negotiation. The documents should be negotiated strictly in accordance with the terms and conditions and within the period mentioned in the letter of credit.

Tenure :

- In case of Sight Bill : 21 Days.
- In case of Usance Bill : Usance Period+ 08 (Eight) Days.
- After expiry @ 9% Interest will be charged on outstanding balance.

Post Shipment Export Finance

Inland Bill Purchased (IBP)

A bill of exchange that is both drawn and made payable in the same country. While the exporter's bank make finance in against of accepted bill then it is called Inland Bill Purchased (IBP).

- Rate of Interest: 9% (As per Circular no. Proka/Trebi/2020/02, dated 21/04/2020 of Head Office, Treasury Division)

Before creating IBP, AD must ensure –

1. LC is genuine and received by authenticated SWIFT message from the issuing Bank.
2. LC is advised properly
3. Transfer authentication is genuine and correct if it is transferred LC
4. Acceptance for payment is genuine and received by authenticated SWIFT message from the issuing Bank.
5. Legitimate movement of goods to be ensured.
6. The export bill is not a fictitious Accommodation Bill
7. RBL/Bangladesh Bank's Circulars/Instructions to be followed properly.

Thank you