

COVID-19 MANAGING RISK: FINANCE

SUMMARY OF BANGLADESH BANK CIRCULARS

Prolonged lockdowns causing significantly slowing down of economy. Besides, large-scale order cancellation and deferment etc. causing a liquidity crisis. The government has responded by announcing a several stimulus plans and also made changes to several regulatory parameters. Below we have tried to summaries the same:

Moratorium

Bangladesh Bank (BB) announces moratorium on loan payments until 30 June 2020 and the borrowers will not be in default.

Stimulus Package for Export-Oriented Industries

Following Government announcements Bangladesh Bank issued circulars on loan at the rate of 2% for export-oriented industries to cover maximum three months' salary after deducting tax and PF contribution. Detailed conditions are covered in a number of BRPD circulars.

Stimulus Packages covering Working Capital

Following Government announces several departments of Bangladesh Bank also issued several circulars covering all sectors as follows:

Large Industry and Services

Government to arrange Tk. 30 thousand crore fund through banking system for banks to provide working capital loan facilities to the affected **industries and services**. These loans will carry interest at rate of 9%, half to be borne by borrower and half by Government as a subsidy. Detailed conditions are covered in a number of circulars.

CMSME

Government to arrange Tk. 20 thousand crore fund through banking system for working capital loan facilities to Cottage, Micro, Small, Medium industry, services and trade. These loans will carry interest at rate of 9%, of which 4% to be borne by borrower and 5% by Government as a subsidy. Detailed conditions are covered in a number of circulars.

Export Development Fund

Interest rates on EDF loans to ADs will be charged by Bangladesh Bank at 1.00% pa, while ADs will charge interest to manufacturer-exporters at 2.00% pa. ADs may seek refinancing facilities from Export Development Fund (EDF)



for settlement of import payments against back to back LCs. Usance period can be extended to 360 days from existing 180 days.

Pre-Shipment Credit

Interest of 6% payable by customer and by the Bank 3%. Valid for three years. For individual customer it will be paid for maximum one year and on revolving basis.

Micro credit

For marginal and less earning group. To be distributed by NGOs listed with Micro Credit Regulatory Authority via schedule banks. Customer end interest rate is 9%.

Agro

For cultivation of crops under Agro Loan policy like rice, wheat, vegetable and other crops. Subsidy on interest for one year 5% to be paid.

Life-saving Drugs

Banks may, without repayment guarantee, advance credit up to USD 500k for import of coronavirus related life-saving drugs, medical kits/equipment and other essential medical items.

Credit Card Repayment

The banks are instructed not to deduct any fees/charges/interest against late payment of credit card bill from 15 March 2020 to 31 May 2020.

Import

Usance period is extended from 180 to 360 days for agriculture implement, chemical fertilizer. To facilitate settlement of inland LCs amid COVID-19 related disruptions, AD banks are allowed settle the payments through their nostro accounts instead of FC Clearing account. Import of raw materials on 360 days usance basis for Power Generating Enterprises including HFO.

COVID-19 Taxation, Finance, Shipping, Commercial, DR Practice Group

Cell: 01755574256

info@rahmansc.com

www.rahmansc.com

