



Accord CHAMBERS

INSIGHTS

LEGAL & REGULATORY UPDATES, ANALYSIS AND COMMENTARY

Navigating the Era of Outward FDI for Bangladeshi Corporations

Insights, Corporate & Cross-Border Investment Practice

In the lifecycle of every emerging economy, there comes a pivot point where domestic champions look outward, transitioning from local leaders to regional players. For Bangladesh, that moment is arriving.

While the narrative has long focused on *inbound* Foreign Direct Investment (FDI), we are witnessing a significant strategic shift. Bangladeshi corporations are increasingly seeking to diversify their portfolios, secure global supply chains, and access new markets by investing overseas. Recent data from the Bangladesh Bank highlights this momentum, with the country's outward FDI stock touching nearly 1359.9 % growth year-on-year in the fiscal year 2025 with focus on Finance, Mining & Quarrying, Chemicals & Pharmaceuticals, Metal and Machinery, Textile and Wearing and Trading Sectors.

Bangladeshi capital is moving from the tech hubs of India to the trade corridors of the UAE and Singapore. However, for our clients, the path to global expansion is paved with complex regulatory nuances. As your legal partners, we believe that understanding the distinction between "presence" and "equity" is the first step in this journey.

The Regulatory Landscape: A Tale of Two Pathways

When advising clients on international expansion, we often encounter confusion regarding the two primary regulatory routes. It is vital to distinguish between establishing a **representation** and deploying **capital**.

1. The Operational Footprint (Branch Offices)

For companies simply needing a "boots on the ground" presence to facilitate trade, the regulatory burden is lighter. Under Rule 24, Chapter 10 of the Foreign Exchange Guidelines, Bangladeshi entities can open branch or liaison offices

abroad without prior approval from the Bangladesh Bank. This is a reporting-based regime—you must notify the central bank within one month of establishment. However, clients must note a critical limitation: this route does not authorize the transfer of equity capital for investment. It is strictly for operational facilitation.

2. The Strategic Leap (Equity Investment)

For true asset creation—establishing subsidiaries or acquiring foreign companies—the governing framework is the Capital Account Transaction (Overseas Equity Investment) Rules 2022. This regulation, operating under the Foreign Exchange Act of 1947, is the gateway for genuine outward FDI. It is a permissive but highly gated framework designed to allow robust companies to grow while protecting Bangladesh's foreign currency reserves.

The "Gatekeepers": Who Qualifies?

The 2022 Rules are not for everyone. The regulator has established strict solvency and performance metrics to ensure that only the most stable corporate entities export capital. In our practice, we assess potential applicants against three "Gold Standard" criteria:

- The applicant must be an active exporter with a satisfactory balance in its Exporter's Retention Quota (ERQ) account.
- You must demonstrate stability through audited financial statements for the past five years and possess a credit rating of at least Grade 2. This signals to the regulator that the domestic core business is rock-solid.
- A clean history of repatriating export proceeds and servicing debt is non-negotiable.

The Investment Cap: Understanding the Quantum

One of the most frequent questions we field is, "*How much can we invest?*" The regulation uses a conservative formula to determine the maximum permissible amount. Your investment ceiling is the **lower** of the following two figures:

1. **20%** of your average annual export earnings over the last five years.
2. **25%** of the net assets shown in your latest audited financial report.

This formula ensures that outward expansion does not leverage the company beyond its means.

Strategic Diligence Beyond the Law

Securing regulatory approval is only half the battle. As a global firm, we advise clients to look closely at the *destination* risks. The 2022 Rules explicitly prohibit investments in countries under UN/EU sanctions or those lacking diplomatic relations with Bangladesh.

Furthermore, we strongly recommend prioritizing jurisdictions that have Double Taxation Avoidance Agreements (DTAA) with Bangladesh to ensure tax efficiency. Without this, your repatriated profits—a mandatory requirement under the rules—could face eroding tax liabilities in both jurisdictions.

The door to the global economy is open for Bangladeshi corporations, but it is a door that requires a precise key. Whether you are eyeing the consumer markets of Asia, Africa, the UK or the logistics hubs of Singapore, the potential for growth is immense. However, the risks—ranging from foreign exchange compliance to geopolitical instability—are real.

How can we help?

At Accord Chambers, we specialize in structuring cross-border transactions. We help you navigate the Bangladesh Bank's regulatory approval, liaise with Authorized Dealers, and ensure destination country's compliance due diligence. In the event that support is required for businesses with any aspect of this article or any issues arising from FDIs more generally, please contact Accord Chambers' Corporate & Cross-Border Investment Practice Team led by Partners, [Suhan Khan](#) and [Mamun Chowdhury](#)

For any query, feel free to contact us: assistance@accordchambers.com.

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