Bangladesh Bank: Guidelines on Issuance, Conversion and Redemption of Preference Shares

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01 Issuance of Preference Shares

- Bangladeshi manufacturing or service companies may issue preference shares to non-resident investors.
- Companies must comply with the Companies Act 1994 and applicable Bangladesh Securities and Exchange Commission (BSEC) regulations.
- Shares shall be issued against foreign currency remitted through official banking channels.
- Preference shares shall be issued at par.

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02 Returns and dividend

- No prior approval from Bangladesh Bank is required where the dividend rate does not exceed 5% of face value.
- For higher rates, participative rights or adjustable dividend rates, approval from Bangladesh Bank is required through the nominated Authorised Dealer (AD) bank.
- No approval is required if the shares are issued in compliance with the provisions of this circular.
- Dividend proceeds must be repatriated through the AD bank that received the original investment.

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02 Returns and dividend

- Dividend proceeds shall be repatriated to the non-resident investor in the country from which the original investment funds were remitted into Bangladesh.
- Dividends on preference shares may be reinvested in ordinary shares of the same company or another company at their respective fair values.

03 Conversion

- A valuation of the company is required where preference shares carry a conversion feature. The fair value of the ordinary shares shall be determined in accordance with the methodology prescribed in Foreign Exchange Investment Department (FEID) Circular No. 01 dated 8 March 2026 to determine the applicable conversion ratio.

04 Redemption

- No approval is required if the shares are issued in compliance with the provisions of this circular.
- Submit to Bangladesh Bank the pre- and post-redemption Schedule X, reflecting the removal of the preference shareholders’ names, together with the corresponding financial statements for both periods.

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05 Other compliance

- The AD bank must report the issuance of preference shares to Bangladesh Bank within 14 days of issuance, along with supporting documents.
- The company shall notify Bangladesh Bank of any conversion of shares, along with supporting documents, through its nominated AD bank.
- The AD bank must maintain year-wise repatriation records.
- The AD bank shall submit a post facto report to Bangladesh Bank within 30 days of each remittance of a redemption instalment, along with supporting documents.

05 Other compliance

- AD banks shall preserve tax exemption or reduced tax benefit certificates, and the auditor’s certificate supporting the calculation of tax deduction and the amount eligible for repatriation.
- AD banks shall ensure compliance with applicable Know Your Customer (KYC) requirements, Anti-Money Laundering and Countering the Financing of Terrorism (AML/CFT) standards, tax laws and all other relevant laws, rules, regulations and regulatory requirements.

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