



Setting up a company in Bangladesh with foreign shareholders

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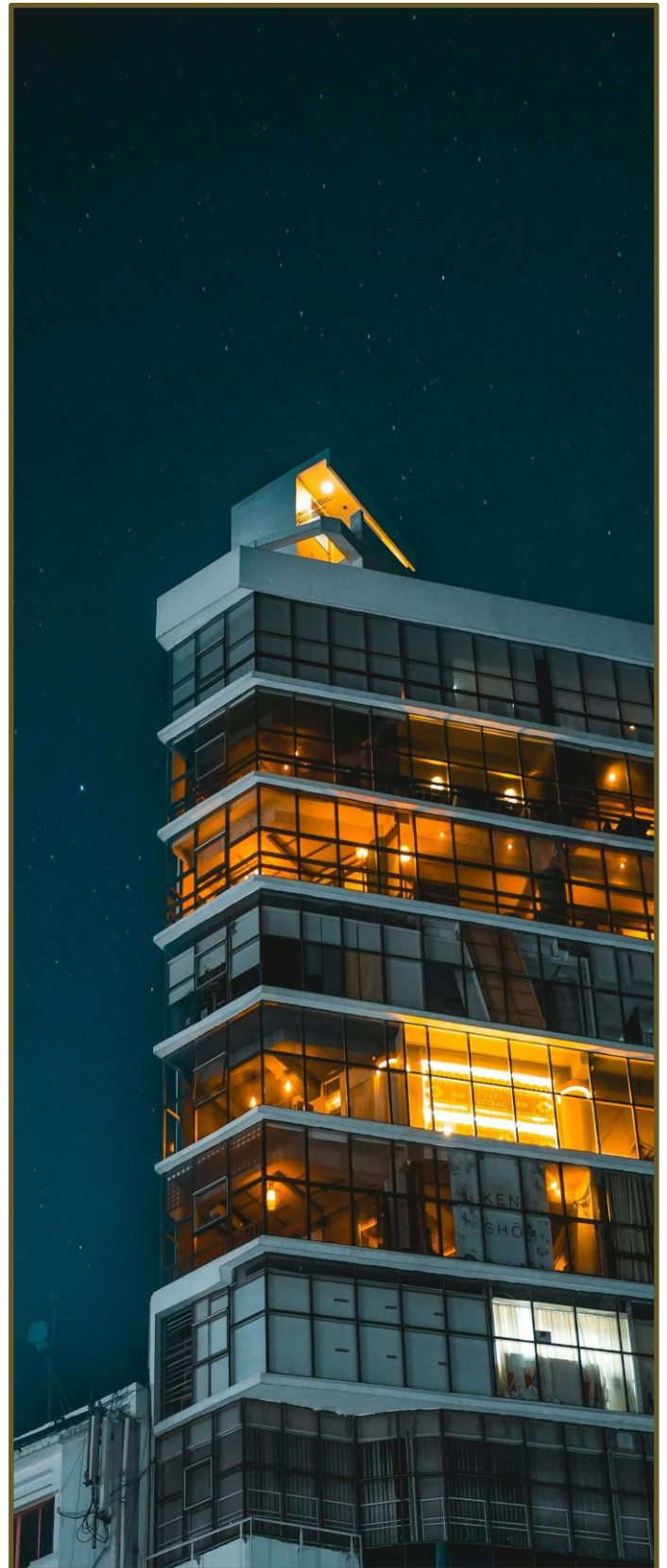
Introduction

Welcome to our comprehensive guide on registering a private limited company in Bangladesh with foreign shareholders. This guide aims to provide you with detailed insights into the requirements, procedures, and timelines involved in setting up your business entity in Bangladesh, ensuring compliance with the country's regulatory framework.

Bangladesh, like many other jurisdictions, maintains specific regulatory protocols for company registration, both at the outset and throughout the operational phase. The predominant form of business entity in Bangladesh is the private limited liability company, offering a favorable legal structure for entrepreneurs. While Bangladesh does allow for the formation of one-person companies (OPCs), this option is restricted to local individuals and not available to foreign investors.

A private limited company in Bangladesh is a separate legal entity and shareholders are not liable for the company's debts beyond the amount of share capital they agree to contribute.

In the subsequent sections, we'll delve into the intricacies of company registration, outlining the steps involved, necessary documentation, and the regulatory landscape to ensure a smooth and compliant establishment of your business presence in Bangladesh.



Pre-registration – What you need to know

Key Considerations for Company Formation in Bangladesh with Foreign Shareholders

The Registrar of Joint Stock Companies and Firms (RJSC)

Commonly referred to as RJSC, serves as the primary regulatory body responsible for overseeing company registration and maintenance of company records in Bangladesh. Its core responsibilities include the registration of companies and the acceptance of returns, thereby ensuring the accuracy and currency of company related information.

Additionally, RJSC plays a pivotal role in facilitating procedures related to company closures, including winding up and striking off companies from the register.

Company Name Approval

Before incorporation, the proposed company name must be approved by RJSC (i.e. cleared).

Directors:

A minimum of two directors is mandatory, who can be either local or foreign individuals. Directors must be at least 18 years old, free from bankruptcy, and not convicted of any crime. Additionally, directors must hold qualification shares as stated in the Articles of Association. Nominee directors can be appointed by corporate shareholders.

Shareholders:

A private limited company can have 2 to 50 shareholders, who may be individuals or legal entities, including other companies. Shareholders and directors can be the same or different persons. 100% foreign shareholding is allowed in most sectors. New shares can be issued, or existing shares can be transferred to another person any time after the Bangladeshi company has gone through the incorporation process.

Authorized Capital

In the Memorandum of Association, the authorised capital must be stated. It is the maximum amount of share capital that the company is authorized to issue (allocate) to shareholders. Part of the authorized capital can remain unissued. There is no minimum or maximum limit for authorized capital in Bangladesh.

Paid-up Capital:

The minimum paid-up capital for company registration is Taka 1. Paid-up capital, also known as share capital, can be increased post-incorporation.

Government fees: Government fees associated with company incorporation in Bangladesh are determined based on the amount of authorized capital declared by the company. These fees comprise various components, including registration fees, stamp duty, registration filing fees, and the cost of certified copies.

Registered Address

A local physical address (residential or commercial) must be provided as the registered address of the company. P.O. Box addresses are not accepted.

Memorandum and Articles of Association: The Memorandum of Association (MoA) and Articles of Association (AoA) are essential documents outlining the operational and governance framework of the company. The business object should be clearly stated in 1000 words or less and 7 clauses.

Memorandum of Association (MoA):

The MoA articulates the primary business objectives that the company intends to pursue. It serves as a foundational document, defining the scope of the company's business operations. If a company wants to change the line of business that is mentioned in the MoA, permission from the court will be required.

Articles of Association (AoA)

The AoA governs the internal management and operational procedures of the company. It regulates the relationships between directors and shareholders, outlining their respective rights and responsibilities. In the case of joint ventures, it is crucial to incorporate any specific terms and conditions agreed upon by the joint venture partners into the AoA. This preemptive measure helps mitigate potential conflicts and ensures smooth collaboration among partners.

Bank Account:

Opening a bank account is mandatory for incorporating a company with foreign shareholders. The bank account needs to be opened in the name of the proposed company as mentioned in the name clearance issued by RJSC. In our experience, foreign shareholders sometimes find it difficult to open a bank account as banks may request documents that are impossible to produce (as these documents become available only after incorporation is complete). The reason behind this difficulty lies in the banks' unfamiliarity with the account opening process for foreign shareholders.

The proposed directors of the proposed company will have to hold a meeting and pass a resolution in relation to the opening and operation of the bank account.

Initial Capital Deposit

After the bank account is opened, foreign shareholders need to remit the initial capital into the bank account. This capital injection is a prerequisite before proceeding with the submission of documents to the RJSC for official registration. For the remittance, the bank will issue an "Encashment Certificate," which needs to be submitted to the RJSC.

Remote Incorporation Formalities

In most cases, company incorporation procedures can be completed remotely without directors or shareholders needing to physically visit Bangladesh, except for potential bank account opening requirements. The bank may require the

presence of signatories for their KYC (Know Your Client) requirements.

Local director/ shareholder

Except for a few businesses, in most cases, all the directors and shareholders can be foreigners.

Visa and Work Permit

Investors can operate the company from overseas without coming to Bangladesh. If required, foreign investors can come to Bangladesh with a business visa. No work permit is required unless the investors plan to relocate to Bangladesh. However, if relocation to Bangladesh is planned, obtaining a work permit is necessary for investors or foreign employees. In such cases, equity investment of US\$ 50,000 needs to be brought in.



Required Documents

For company incorporation in Bangladesh, the following information is required by the company registrar:

- **Name Clearance:** Based on your application, RJSC will issue a name clearance.
- **Memorandum of Association and Articles of Association:** RJSC requires that the object clause in the MoA be within 1000 words and 7 clauses.
- **Shareholders and Directors Particulars:** name, address, parents' names, passport, Photo of the shareholder.
- **Registered Address:** A local address is required. It can be residential or commercial or industrial space.
- **Signed Form IX and Subscriber Page:** Scanned copies of these documents will be required.
- **Encashment Certificate:** will be issued by the bank stating how much foreign remittance the bank received.

Please note that the bank may require additional documents for bank account opening.



Registration Procedure

Company registration procedure in Bangladesh is partially computerized.

There are five distinct steps involved in the Bangladeshi company setup procedure: i) Name Clearance; ii) Bank account opening and bringing in the paid-up capital; iii) Submission of information and uploading of documents on the RJSC website and payment of government fees; iv) verification of Encashment Certificate; and finally, v) Incorporation.

Step 1: Name Clearance

To set up a Bangladesh company, your first step would be to obtain a name clearance for the proposed company name. You will have to visit www.roc.gov.bd and create a username first. Then you will be able to apply for name clearance. After you make the application for name clearance, you will receive a bank payment slip and you will have to pay Taka 200 to the designated bank. After making the payment, you will have to log in to your account on the RJSC website and then you will get the name clearance.

You may read [this guide](#) prepared by RJSC for name clearance.

Tip: the website of RJSC may not work on some browser. You should try a different browser if you face any problem. Also, during holidays in Bangladesh, RJSC may shutdown their server.

To improve your chances of quick name approval, make sure the name:

- is not identical or too similar to any existing company names;
- does not infringe with any trademarks;

- is not obscene or vulgar; and
- is not already reserved.

An approved name will be reserved for 2 months from the date of clearance. You can extend the name by filing a new application.

Step 2: Bank Account Opening and Bringing in the Paid-Up Capital

Next, as part of the company incorporation process, you will be required to open a bank account in the proposed company name with any scheduled bank in Bangladesh. This bank account will serve as the official financial hub for the company's operations within the country.

Once the bank account is successfully opened, the next step involves remitting the funds equivalent to the shares to be owned by the foreign shareholder from outside Bangladesh into this account. This capital injection demonstrates the financial commitment of the shareholders to the company and is a prerequisite for completing the incorporation process.

Upon receipt of the remitted funds, the bank will issue an Encashment Certificate. This certificate serves as formal documentation of the foreign currency being converted into local currency and deposited into the company's bank account. The Encashment Certificate is a crucial document that will be verified by RJSC during the company incorporation process.

Step 3: Uploading of documents on the RJSC website

The next step is to submit all the required information to the RJSC's website. Also, you will be required to upload scan copies of Form IX and Subscriber Page and the Encashment Certificate. After you finish all the process, you will receive a bank payment slip for paying the registration fees along with stamp duty.

You may read [this guide](#) prepared by RJSC to submit all the information on the RJSC's website.

After making the payment to the bank, RJSC will start reviewing your documents and information.

Special note: RJSC will email the administrative username and password to the email address of the managing director or other director. This admin username and password will be required for post-incorporation return filling. So, please request the managing director and other directors to keep an eye on their email accounts for any email from RJSC.

Step 4: verification of Encashment Certificate.

After initial verification, if the officials of RJSC are satisfied, they will issue a letter to the bank that issued the Encashment Certificate. Once they receive a response from the bank confirming the authenticity of the Encashment Letter, RJSC will proceed to complete the registration process.

Step 5: Incorporation

Finally, RJSC will issue the digitally signed i) Certificate of Incorporation; ii) MoA and AoA; and iii) Form XII. These documents will be mailed to your email address associated with your RJSC account.

There are cases when the incorporation procedure can get delayed if the shareholders or directors are of certain nationalities, although this happens in rare cases only. In such cases, the authorities might ask for additional information.

Post-Registration Formalities

Documents issued by RJSC (via email):

- **Certificate of Incorporation:** RJSC will issue a Certificate of Incorporation of the company. The certificate will have the registration number, name of the company and the date of incorporation.
- **Form XII:** Form XII contains the list of directors of the incorporated company.
- **Certified copies of MoA and AoA**

Some of the other items you will almost certainly need upon registration of your Bangladeshi company include:

- Share certificates for each of the shareholders.
- Register for shareholders, share transfer, directors etc.
- A rubber stamp for the company (for banking).

Applying for Trade License, Tax Identification Number and other licenses

After the incorporation, you should buy a commercial space or rent some space in any commercial build. Or you may buy or rent any industrial space or land.

Then you need to apply for a Trade License and Tax Identification Number. Depending on your company's business activities, you may need to obtain more business licenses.

ABOUT OGR LEGAL

We are a Bangladeshi law firm specializing in strategic legal, regulatory tax advice coupled with industry expertise in an integrated manner. We focus on niche areas in which we provide significant value and are invariably involved in select highly complex, innovative transactions.

Our experience with legal, regulatory and tax advice coupled with industry expertise in an integrated manner allows us to provide the complete strategy from the onset through to the full set up of the business and until the exits

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