A STUDY ON TEMENOS: A CORE BANKING SOLUTION FOR BANGLADESHI BANKS
A STUDY ON TEMENOS: A CORE BANKING SOLUTION FOR BANGLADESHI BANKS

Submitted to
Md. Jabir Al Mursalin
Assistant professor

Submitted by
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Prepared by: Mahfuza Khusbu
Letter of Transmittal

February 4th, 2015

To

Md. Jabir Al Mursalin
Assistant professor
BRAC University
Mohakhali, Dhaka.

Subject: Submission of Internship Report on “A STUDY ON TEMENOS: A CORE BANKING SOLUTION FOR BANGLADESHI BANKS.”

Dear Sir,

It is my pleasure to submit the Internship report entitled “A STUDY ON TEMENOS: A CORE BANKING SOLUTION FOR BANGLADESHI BANKS” for the fulfillment of BBA degree. With available data, information and practical experience in this filed, I have tried to make my paper comprehensive as possible.

I am grateful to you for giving me such an opportunity, and I appreciate this internship program. I hope that you will cordially receive my internship paper.

Sincerely yours,

___________

Mahfuza Khusbu
Id: 09204137
Dept: BBS
Acknowledgement

At the very beginning, I would like to express my deepest gratitude to almighty Allah for giving me the strength & the composure to complete the internship report. Words actually will never be enough to express how grateful I am, but never the less I shall try my level best to express my gratefulness toward some people.

This internship report might never have been completed without the necessary practical knowledge, assistance of many books, articles, websites, and primary data. It enhanced my knowledge on Temenos software, foreign Exchange activities as well as banking business. Thanks to all those persons, who have assisted me, providing me co-operation, books and articles in completing the internship program and preparing the report on the assigned topic “A STUDY ON TEMENOS: A CORE BANKING SOLUTION FOR BANGLADESHI BANKS”.

I also would like to tender my heartfelt gratitude to the department of BBS, for providing me an opportunity to accomplish the internship program and assigned me to realize its importance and significance.i would like to thanks and very greatful to the person my internship adviser Md. Jabir Al Mursalin. I would like to convey my sincere gratitude to Md. Abdul Halim (VP & Manager operation) of Mercantile Bank Limited, Mr. Aminul Islam (AVP from foreign Exchange),Md. Mamunur Rashid (Principal officer), Ferdousi Binte Latif (FAVP), Shamim Ahmed (FAVP), Mosamod Nasima Begum (officer) and every employee of Mohakhali Branch they helped me a lot to collect information for preparing my report.

I thank them all from the core of my heart.
Declaration

It is hereby certified that the Internship report has been thoroughly and carefully has done by myself. There is no plagiarism in this Internship report. To make the Internship report I have taken help from officers of Mercantile Bank Limited and also use Bank annual report and other supportive activities for making the report.

I also confirm that, the report is only prepared for my academic requirement not for other purpose and this report is not submitted in any other place before. I also assure that, this report was not submitted to any other private or public Universities.

Sincerely yours,

___________

Mahfuza Khusbu

ID 09204137

Dept: BBS
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EXECUTIVE SUMMARY

Accomplishing an internship program and preparing a report based on this program are important parts to obtain Bachelor of Business Administration degree for a student. Internship program provides a chance to a student to practically observe day to day activities of a business entity which is very helpful for him in future as he acquires knowledge and experience of how a business entity is operating. For that reason I needed to choose a business entity and I chose Mercantile Bank Ltd. (MBL) which is a reputed and leading commercial Bank of our Banking industry. This Bank has a reputation of being good provider of quality services to its customers. The date of incorporation of MBL was 20th May 1999 and it started its journey in our Banking industry in 2nd June 1999. This report aims to focus on the performance of Temenos on foreign exchange operation of MBL. To analyze the performance of MBL in Temenos I tried to discuss the performance of it in Bangladesh. I have also tried to give some theoretical background of Temenos operation and discussed about the function with foreign exchange operation of MBL along with the import procedures, export procedures & remittance procedures of this Bank.
1. INTRODUCTORY PART:
1.1. INTRODUCTION

Bank is defined as a financial institution and intermediary that collect deposit from various individuals & organizations and provides to those who need it. In other hand we can say "A Bank is an institution, usually integrated with power to issue its promissory notes projected to circulate as money (known as Bank notes); or to receive the money of others on general deposit, to form a joint fund that shall be used by the institution, for its own benefit, for one or more of the purposes of making temporary loans and discounts; of dealing in notes, foreign and domestic bills of exchange, coin, bullion, credits, and the remission of money; or with both these powers, and with the constitutional rights, in addition to these basic powers, of receiving special deposits and making collections for the holders of negotiable paper, if the institution sees fit to engage in such business.” In 1901, Justice Holmes wrote, in an Irish case (Re Shields Estate). But modern Banks do not mean only the channels of collecting and disbursing money to various entities. Rather it provides various services to different entities which facilitate their business operations.

As I am an e-business student and now every institution mainly banking sector in running with new online business idea. Such as online banking, mobile banking, SMS banking and the most important thing they report and connect with the Bangladesh bank using new software and technology. If a person wants to know about how e-commerce sector support a financial organization like a Bank, it is better for him to experience the operation of different departments of Bank. I have chosen Mercantile Bank Ltd (MBL) mohakhali branch to accomplish my internship program & prepare internship report as an important part of BBA program and try to gain some useful experience & knowledge of the operation of the Bank. Though I could not get the chance to work much in different departments of the MBL due to the time limitation of internship program, but I worked in foreign exchange department and work with the new software Temenos most of the time through my internship period and I think a study on Temenos: A core banking solution for Bangladesh is an important topic for my report. Temenos is very useful software for banking sector. At present 64 branches of MBL using this software for their banking and other 36 branches is on training process. As I worked in foreign exchange department I learn how Temenos works in the foreign exchange department. Foreign exchange means
the exchange of one currency for another or the conversion of one currency into another currency. In broad we can say foreign exchange is purchase or sale Purchase or sale of one national currency in exchange for another nation's currency, usually conducted in a market setting. Foreign exchange makes possible international transactions such as imports and exports and the movement of capital between countries. Trading in foreign exchange is the means by which values are established for commodities and manufactured goods imported or exported between countries. Creditors and borrowers settle the consequential international trade obligations, such as Bank drafts, bills of exchange, Bankers' acceptances, and letters of credit, by exchanging different currencies at decided upon rates. The value of one foreign currency in relation to another currency is called the exchange rate. This report is proposed to provide minimum background and procedural guidelines to examiners responsible for evaluating a Bank’s recent software Temenos works with foreign currency activities within individual Banks. This section discusses both functions as if they were performed by the same traders, processed by the same bookkeepers and managed by the same officers. Most importers, exporters, manufacturers, and retailers tend to let Banks handle their foreign exchange needs. They rely on MBL to make and receive their foreign currency payments, to provide them with foreign currency loans, to fund their foreign currency Bank accounts and purchase their excess foreign currency balances. Temenos help MBL to maintain all of this information and in reporting to the Bangladesh bank. MBL also provide sufficient & helpful information to its clients for managing their exchange risk & take different policies to minimize its own exchange risk which MBL is exposed to.

1.2. OBJECTIVE OF THE STUDY

The objective of the study is to obtain an understanding of the Temenos in Foreign Exchange Banking activities and analyze the real online activities in foreign exchange performance of Bangladesh. Beside this, the followings are the specific objectives which I will try to cover in my report:
1.2.1 General Objectives:

❖ To apply theoretical knowledge in the practical field.
❖ To observe the working environment in commercial Banks.
❖ To get an overall idea of online banking from Banker’s point of view.
❖ To be familiar with rules, regulations theories and practices for Banking.
❖ To know the Banking guideline and gather idea about operational procedure.

1.2.2 Specific Objective:

❖ To analysis the how banking software helps in the import trade, export trade and remittance flow of MBL.
❖ To analysis the how Temenos increase the growths of foreign exchange operation and profit.
❖ To review the techniques used by the Mercantile Bank Limited in Foreign Exchange operation.
❖ To identify the new rising problems and the possible solutions.
❖ To complete my internship program & prepare an internship report.

1.3. SCOPE OF THE STUDY

I was sent to Mercantile Bank Limited, Mohakhali Branch, the scope of the study is only limited to this branch. I worked in the Mercantile Bank, Mohakhali Branch; I got the opportunity to learn different part of foreign exchange department. The supervisor assigned the topic study on Temenos: A core banking solution for Bangladesh. My main concern was to identify and learn the Temenos works in the foreign exchange operation of Mercantile Bank Limited. From the practical experience I had the opportunity to gather information about the relevant topic.
1.4. METHODOLOGY

Data sources:

i. The primary sources are:

- Face to face conversation with the respective officer of the branch.
- Practical desk work.
- Relevant file study as provided by the officers concerned.
- Observation

ii. The Secondary sources are:

- Annual reports of Mercantile Bank Limited.
- Foreign exchange Mercantile Bank Limited.
- Periodic reports of Mercantile Bank Limited.
- Annual Reports of Bangladesh Bank (BB).
- Publications of Bangladesh Bank (BB).
- Office circulars of Mercantile Bank Limited.
- Publicly published documents.
- Relevant books, newspapers, journals, etc.
- Information kept by branch manager, operations manager.

Primary data are collected by using noted technique. The reports are an exploratory research and for qualitative survey open ended questions were ask to the Bank official. After collecting the secondary data, those data are need to Classified, analyzed, interpreted and presented in the report. Some arithmetic and graphical tools are used in this report for analyzing the collected data and to Classifying those to interpret them clearly. The collected data were scrutinized very well and were pointed out and shown as findings. Few recommendations are also made for improvement of the current situation.
1.5. LIMITATION OF THE STUDY

The report is presented on the basis of face to face conversation with the officer and the practical experience in the Bank. Mercantile Bank Limited organizational environment was very helpful, but I felt some limitations such as:

- Too much paper work was practiced.
- Vast areas of tasks operated by the Bank.
- Due to some risky monetary transaction.
- The secondary data that have been observe was in a form, which was not helpful for this study.
- Poor Library Facility.
- Due to the safety and security reasons, access to all the confidential data was not obtained.
- The information that is provided is the outline of the real volume of information, so the complete pictures of the concerned aspects are not evident.
- Lack of self-knowledge concerning report preparation, was also a limiting factor in preparing a better report.
- All branches of Mercantile Bank Limited are not centrally connected.
2. ORGANIZATIONAL OVERVIEW:
2.1. HISTORY OF MERCANTILE BANK LIMITED:

Mercantile Bank Limited was integrated in Bangladesh as a Public Limited Company with limited liability under the Bank Companies Act, 1991 on 20 May 1999 and commenced commercial operation on 02 June 1999. The Bank went for public issue of shares on in 2003 and its shares are listed with Dhaka Stock Exchange and Chittagong Stock Exchange. Mercantile Bank Limited emerged as a new commercial Bank to provide efficient Banking services and to contribute socio-economic development of the country.

The commercial Banking activities of the Bank face a wide range of services including accepting deposits, making loans, discounting bills, conducting money transfer and foreign exchange transactions, and performing other related services such as safe keeping, collections, issuing guarantees, acceptances and letters of credit. The Board of Directors consists of eminent personalities from the realm of commerce and industries of the country.

Mercantile Bank Limited is dedicated towards excellence in service with efficiency, accuracy and proficiency and extended its arms towards meeting its social obligations. It is considerate to its regulators and committed to maintain integrity, strict compliance and summit the goals with a global vision.

Mercantile Bank Limited is fully committed to the delivery of superior shareholders’ value. Initiative ranging from having more efficient capital structures and improving return on equity, pursuing a high dividend payout policy to the pursuit of excellence corporate governance have been undertaken with a view to enhancing superior shareholders value.

The Bank does believe that it has differentiated itself from other Banks through its products and services. It is banking for the people to execute their needs conceptualizing product and services to meet their ambition and expectations. The Bank is proud to have exemplified the true concept as ‘Banglar Bank’.
Mercantile Bank Limited has gained firm assurance in the minds of its clients within a short period of its operation. The success is primarily attributed to prompt and bold decision-making, efficient and cordial services, economic use of resources and introduction of new financial products and technologies. The continued activities of the Management Staff of the Bank under prudent guidance and timely support of the Board of Directors have substantially contributed to success of the Bank. The Board of Directors takes this opportunity of expressing its heart-full appreciation and gratitude to the Government of the People’s Republic of Bangladesh, Bangladesh Bank, Securities and Exchange Commission (SEC), Dhaka Stock Exchange (DSE), Chittagong Stock Exchange (CSE), and Registrar of Joint Stock Companies and Firms for their help and assistance, valuable guidance and advice extended to the Bank from time to time.

The Board of Directors also expresses deep admiration to the management and all members of staff for their meritorious and sincere services and also to the clients, the sponsors, the shareholders/stakeholders, patrons and well-wishers, whose constant support and patronage have made the results possible.
2.2. ORGANOGRAM:

Organizational Structure of Mercantile Bank Limited

Chairman

MD’s Sect.

Board Directors (Chairman, Vice Chairman, Members)

Managing Director

Additional Managing Director

Deputy Managing Director

Human Resource Division
Marketing & Branch Division
Central Accounts Division
ICC (i) Audit (ii) Marketing (iii) Compliance
Ett. Division
Share Dept.
Operations
Brokerage House
Credit Addmn. (RM) Dept.
Card Division
IT Division

Training Institute

MIS

Recovery/ Law Dept.
Debt. Collection Unit
Transport Pool
Int’l Division
Treasury Div.
Credit Div.
Operations
LAN/WAN etc.
Security
Branches Support

Area Office Chittagong

Branches

Correspondent Banking

Dealing Room
Returns/Report
Treasury Admn.
Remitt. Dept.

Gen. Credit & Trade Finance
Small Loan Unit
Housing Loan Unit
Structural of Management:
2.3. SERVICE:

2.3.1. Department and services:

General Banking & Deposit Management

1. Account opening and KYC procedures.
2. Issuance of DD/TT/PO/FDR.
3. Inter Bank Transaction, OBC/IBC.
4. Account section.
5. Clearing Section.
6. IT Section.

Credit Department

1. Credit Proposals Processing Procedures.
2. Documentation and Loan Disbursement Procedures.
3. Overview on all returns.

Foreign Exchange Department

I. Cash L/C
1. Opening of L/C.
2. Lodgment of Import Bill.
3. Payment against Import Bill.
5. IMP Reporting.

II. BTB L/C
1. Export L/C Checking.
2. Opening of BTB L/C (Local/ Foreign/ EDF/ EPZ).
3. Lodgment and confirmation of maturity date.
4. Allowing of PC.
5. Payment against realization of Export Proceeds/ Forced Loan.
7. Reporting.

III. Export
1. Scrutinizing/ Negotiation/ Send on Collection.
2. Follow-up.
3. Realization.
4. Reporting.

IV. Foreign Remittance
- Inward
  1. FDD.
  2. FTT.
  3. Others.
- Outward
  1. Endorsement of Traveling.
  2. Education/ Treatment/ Others.
  3. Cash Rebate.
  4. FC issuing.
  5. FDD/ FTT etc.

2.3.2. Features of Mercantile Bank Limited:

There are so many reasons behind the better performance of Mercantile Bank Limited than any other newly established Banks:

- Mercantile Bank Limited has established a core Research & Planning Division comprising skilled person from the very inception of the Bank.

- Highly qualified and efficient professionals manage the Bank.
• The inner environments of the all branches of Mercantile Bank Limited are well decorated.

• Banking operations of the all branches of Mercantile Bank Limited have been computerized to provide the promptly & frequently customers service.

• The Bank has established correspondent relationship with 102 of foreign Banks.

• The Bank has launched some financial products, which is not available in any other Banks, like Ajebon Pension Scheme.

• Mercantile Bank Limited provides attractive interest rate like the other financial institutions.

• The Bank provides loan to the customers @ lower interest with easy & flexible condition than the other do.

• The Bank frequent arranges customers meeting to achieve their valuable suggestions.

• Letter of Credit (L/C) commissions and other charges are very lower than the other Banks.

• Profit earning is not the main aim of the MBL. The Bank is responsible to maintain the social duties.

2.3.3. Mechanism:
Commercial Banking is the core activities of Mercantile Bank Limited. The Bank serves all types of customer ranging from individual to corporate entities, both private and public. The standard service offered by mercantile Bank Limited Include-

• One counter service for all Banking needs of the customer.

• Customer counseling
• Personalized services and relationship Banking
• Deposit Banking
• Loan and advances
• Export and import financing
• Inland and foreign remittance facilities

2.3.4. Long Term target Services of Mercantile Bank Limited include-

• Investment Banking supported technology knows how transfer program.
• Leasing and lease financing.
• Capital market operation.

2.3.5. To reach the objectives, MBL has its basket of services among other-

• In house know how for feasibility study and strategic planning.
• Automated and computerized offices.
• Global network Banking facilities

2.4. SWOT ANALYSIS OF MBL:

Both manufacturing and service oriented business organizations start to possess some weakness as time elapse. The weaknesses of an organization can be converting into opportunities if recognized on time. Moreover, overlooking any threat may cause in loosing valuable business opportunities. For this reason, an assessment of every business organization is required to judge the performance from the aspects of its Strength, Weaknesses, Opportunities and Threat (SWOT).

In the competitive region of marketing are SWOT analysis is based on product, price, place and promotion of a financial institution like private Bank. By doing the SWOT analysis it is possible to find out the strengths, Weaknesses, opportunities, and threats of the MBL. From the SWOT analysis we can figure out on going scenario of the Bank.
SWOT analysis two factors act as prime movers

- Internal factors which are existing inside the concern which include Strength and Weakness.
- On the other hand another factor is external factors which proceed as opportunity and threat.
Internal Factor

Strength:

- **Superior Service Quality**: MBL provides excellent and steady quality service in each and every division of its operations to the customers. It makes the customers satisfied.

- **Top Management**: The top management of MBL is very experienced and well-known in the banking sector of Bangladesh. They are contributing a lot towards the growth and development of the bank. Experienced bankers and corporate personnel have formed the management.

- **Company Reputation**: MBL has already created a good reputation in the banking industry of Bangladesh. Credit rating and information services limited (CRISL) rated MBL as “A” in the long term and ST-2 rating in the short term.

- **Modern Facilities and Computer**: from the very beginning, MBL tries to deliver its work immediate with modern equipment and furnitures. For speedy service to the customer, MBL already installed the second used software Temenos in the bank. Moreover, computer printed statements are available to internal use and occasionally for the customers.

- **Interactive Corporate Culture**: The Corporate Culture of MBL is much more interactive compare to other local organizations. This interactive environment encourages the employee to work attentively.

- **Customer Satisfaction**: Customer Satisfaction level of MBL is quite good. Informal conversation with customers about the service quality helps the management to provide services according to their choice which makes customers satisfied.

- **Good Number of Branches**: MBL already has 100 branches all over Bangladesh to provide quality service to every level of customer.

- **ATM Service**: Some services of the Bank are automated which attract large number of clients. For instance, the Bank provides Automated Teller Machine (ATM) services in several locations.
Online Banking: The Bank recently introduced online banking which enabled it to automate all of its operations. At present, most of the banking functions are performed by computers. The Bank is also a member of SWIFT (Society for Worldwide Interbank Financial Telecommunication) alliance access which enables the Bank to exchange critical financial messages swiftly and cost effectively. With the Temenos every branch of the bank give time to time update to the Bangladesh bank.

Weaknesses:

- **Limited Workforce:** MBL, Engineering Institution Branch has limited workforce. There is shortage of people. As a result, many of the employees are loaded with extra workloads and work late hours without any overtime facilities. This might cause high employee turnover which is not good for the organization.

- **Lengthy Loan Granting Process:** The credit sanction and disbursement procedure is quite lengthy, because the loan granting process of the Engineering Institution Branch of MBL is very strict that sometimes effects negatively on customer’s mind.

- **Centralized Authority:** Delegation of authority is centralized which makes the employee to realize less responsibility. Thus, the employee morale is deteriorated.

- **Lengthy Evaluation Process:** The credit proposal evaluation process is lengthy. Therefore, sometimes valuable clients are lost and the Bank becomes unable to meet targets.

- **Less Use of Annual Confidential Report:** No substantive use of Annual Confidential Report (performance evaluation form of the employee) to reward or to punish the employee. Hence the employee becomes ineffective.

- **Less Promotional Initiative:** The Bank lacks aggressive advertising and promotional activities to get a broad geographical coverage.

- **Few ATM Booths:** The Bank has only a few ATM booths and not in proper places. So, the scope of using ATM card is limited.

- **Few Computer Facilities:** Computer facility for all the officers is not available.
• **No R&D:** the Bank has any research and development division for planning further.

**External Factor:**

**Opportunities:**

• The Bank can introduce more innovative and modern products and services for then customers.
• It can diversity its portfolio by taking new sector.
• Many branches can be opened to reach the Bank’s services to the remote areas.
• It can recruit more efficient and experienced persons to give fast and efficient service to the customers.
• They already make a good reputation in the market.
• Their deposit interest rate is higher than any other bank.

**Threats:**

• The common attitude of Bangladeshi clients is default.
• Multinational as well as the fast growing local Banks with modern products and services are capturing huge market within short period a resulting to switch over the existing customers of the Bank.
• Bangladesh Bank Sometimes requires Private Commercial Banks to be abides by such rules and regulations which are not suitable for every commercial Bank.
3. INTERNSHIP EXPERIENCE:
3.1. DEPARTMENT OVERVIEW: (FOREIGN EXCHANGE)

Foreign exchange refers to the procedure or mechanism by which the currency of one country is converted into the currency of another country. Foreign exchange is the means and methods by which rights to wealth in a country's currency are converted into rights to wealth in another country's currency. In Banks when we talk of foreign exchange, we refer to the common mechanism by which a Bank converts currency of one country into that of another. Foreign Trade gives rise to foreign exchange. Modern Banks facilitate trade and commerce by rendering valuable services to the business community. Apart from providing appropriate mechanism for making payments arising out of trade transactions, the Banks gear the machinery of commerce, especially in case of international commerce, by acting as a useful link between the buyer and the seller, who are often too far away from and too unfamiliar with each other.

According to Foreign Exchange Regulation Act (FERA) 1947, "Anything that conveys the right to wealth in another country is foreign exchange. Foreign exchange means and includes all deposits, credits and balances payable in foreign currency as well as foreign currency instruments such as drafts, TCs. Bill of Exchange, promissory Notes and Letters of Credit payable in any foreign currency. ".

This definition implies that all business activities relating to Import, Export, Outward & Inward Remittances, buying & selling of foreign commissions, etc. come under the purview of foreign exchange business. Foreign exchange department of Banks plays significant roles through providing different services for the customers.

3.1.1. Important person or organization for foreign exchange

1. Importer (Buyer)/Applicant
2. The Issuing Bank (Opening Bank)
3. The Advising Bank/Notifying Bank
4. Exporter/Seller (Beneficiary)
5. Confirming Bank
6. Negotiating Bank
7. The Paying/Reimbursing/Accepting/Remitting Bank.

a) Applicant: Applicant is the person/body (customer of the Bank) who requests the Bank (opening Bank) to issue letter of credit, on behalf of the applicant, Bank opens L/C in line with the terms and conditions of the sales contract between the buyer and seller.

b) Opening Bank/Issuing Bank

The Bank which opens/issues L/C on behalf of the applicant/importer is known as opening bank. Issuing Bank’s obligation is to make payment against presentation of documents drawn strictly as per terms of the L/C.

c) Advising/Notifying Bank

The Bank through which the L/C is advised/ forwarded to the beneficiary (exporter) is known as advising bank. The responsibility of advising Bank is to communicate the L/C to the beneficiary after checking the authenticity of the credit. The advising Bank acts only as agent of the issuing Bank without having any engagement on their part.

d) Beneficiary

Beneficiary of the L/C is the party in whose favor the letter of credit is issued. Usually they are the seller or exporter.

e) Confirming Bank

The Bank, which under instruction in the letter of credit, adds confirmation of making payment in addition to the issuing Bank. It is done at the request of the issuing Bank having arrangement with them. This confirmation constitutes a definite undertaking on the part of confirming Bank in addition to that of issuing Bank.
f) Negotiating Bank

The Bank, which negotiates documents and pays the amount to the beneficiary with the proper documents are presented complying with credit terms. If the negotiation of documents is not restricted to a particular Bank in the L/C, normally negotiating Bank is the Banker of the beneficiary.

g) Reimbursing/Paying Bank

The Bank nominated in the credit by the issuing Bank to make payment stipulated in the document, complying with the reimbursing Bank.

3.1.2. Part of Foreign Exchange Operation:

There are mainly three types of transactions which lead to foreign exchange. These are:

a) Import

b) Export

c) Foreign Remittance

Figure: Foreign Exchange operation
A) IMPORT PROCEDURES

B) EXPORT PROCEDURES

In case of export first of all contract between exporter (customer of MBL) & importer is made & exporter submit a copy of this contract & PI (Performa invoice) to the MBL to open a Back to back L/C or cash L/C for importing the raw materials. Than the exporter
also submits a copy of export L/C (issued by the importer Bank) so that MBL can scrutinize the L/C for ensuring following matters

1. To ensure name & address of the importer.
2. To ensure name & address of the confirming Bank.
3. To become ensured the goods can be produced & shipped in due time & there will be no chance of miss-shipment as MBL issue BTB or cash L/C to exporter.
4. To help exporter to arrange necessary documents required by the importer and it’s Bank.

In the meantime MBL issued 4 copies of Export form to exporter. MBL also analyses the trade license, ERC and the Certificate from the concerned Government Organization.
C) Foreign Remittance

Opening and Operation of Different Types of Foreign Currency Accounts:

Convertibility of Taka in current account transactions symbolized a turning point in the country's exchange arrangement and exchange rate system. Now the operation of foreign currency accounts have been more liberalized. Funds from this A/Cs are freely remittable to any country according to the needs of A/c holders.

**Types of FC Account**

- Resident Foreign Currency Deposit (RFCD) Account:
  Persons ordinarily resident in Bangladesh may maintain foreign currency accounts with foreign currency brought in at the time of their return in Bangladesh from visits abroad. These accounts are termed as RFCD accounts.

- Non-resident Foreign Currency Deposit (NFCD) Account:
  Nonresident Foreign Currency accounts may now be maintained as long as the account holder desire. Amount brought in by non-resident Bangladeshi can be deposited in FC account any time after to Bangladesh.

**Who can open FC Accounts?**

The Branch with Authorized Dealership License may, without prior approval of Bangladesh Bank, open foreign currency A/Cs in their books in the name of:

(a) Bangladeshi nationals residing abroad

(b) Foreign nationals residing abroad or in Bangladesh

(c) Foreign firms and companies registered abroad and operating in Bangladesh or abroad

(d) Foreign missions/Embassies/UN organizations and their expatriate employees

(e) Diplomatic bonded warehouses (duty free shops)
(f) Local and Joint venture contracting firms employed to execute projects financed by foreign donors/international donor agencies.

(g) Bangladeshi nationals working as employees/consultants in international bodies in Bangladesh and drawing pay and allowances/consultancy fees/honorarium in foreign currency.

(h) Merchandise and service exporters

(i) Bangladeshi Nationals who are ordinarily resident in Bangladesh may open foreign currency accounts with foreign exchange brought in at the time of their return to Bangladesh from visits abroad.

(j) Industrial enterprises in EPZ.

Currency in which FC A/C can be opened:

FC Accounts can be opened either in

(a) Pound Sterling

(b) USD

(c) EURO

(d) Japanese Yen

Foreign Remittance Process:

Fund transfer from one country to another country goes through a process which is known as remitting process. Suppose a local Bank has 200 domestic branches. The Bank has corresponding relationship with a foreign Bank say-“X”, and maintaining “Nostro Account” in US $ with the Bank. Bangladeshi expatriates are sending foreign remittances to their local beneficiary, through that account. Now, when the Bangladeshi expatriates through other Banks of different countries remit the fund to their “Nostro Account” with “X”, then the local Bank’s Head Office international division will receive
telex message and the remittance section will record the advice and generate the advice letter to the respective branch of the Bank. The branch will first decode the test, verify signature and check the account number and name of the beneficiary. After full satisfaction, the branch transfers the amount to the account of the beneficiary and intimates the beneficiary accordingly. But sometimes the complexity arises, if the respective local Bank has no branch where the beneficiary maintains his account. Then the local Bank has to take help of a third Bank who has branch there.

“Chart: - Flow chart of Remitting Process”

**Inward Remittance:**

Remittance comes from foreign countries to our country is called inward remittance. To the Bankers or ADs inward remittance means purchase of foreign currency by authorized dealers. Generally, inward remittances are received by draft, mail transfer, TT, purchase of foreign bills & travelers Cheque, export bills. Basically, these are the formal channels of receiving inward remittance. A local Bank also receives indenting commission of local firm also comes under purview of inward remittance.
Outward Remittance:

Remittance from our country to foreign countries is called outward foreign remittance. On the other word, sales of foreign currency by the authorized dealer or formal channels may be addressed as outward remittance. The authorized dealers must utmost caution to ensure that foreign currencies remitted or released by them are used only for the purposes for which they are released. Outward remittance may be made by appropriate method to the country to which remittance is authorized. Most outward remittance is approved by the authorized dealer on behalf of Bangladesh Bank.

Outward remittance may be made for following purposes-

1. Travel
2. Medical treatment
3. Educational purpose.
4. Attending seminar etc.
5. Balance amount of F.C account.
6. Profit of foreign companies.

Figure: “Modes of Inward Remittance”
7. Technical assistance
8. New exporters up to USD 6,000/- for business promotion
9. F.C. remittance can be made for fare, exhibition from export retention quota.

Outward remittance in favor of beneficiaries outside Bangladesh may be made in any of the following manners-

![Modes of Outward Remittance](image-url)

Figure: “Modes of Outward Remittance”
3.2. ORGANOGRAM OF FOREIGN EXCHANGE
3.3. JOB RESPONSIBILITIES:

3.3.1. Offline workings:

❖ **Up-to-date the foreign Documentary Bill Purchase (FDBP):**

Sometimes the client submits the bill of export to bank for collection and payment of the BTB L/C. In that case, bank purchases the bill and collects the money from the exporter. PBL subtracts the amount of bill from BTB and gives the rest amount to the client in cash or by crediting his account or by the pay order.

For this purpose, MBL maintains a separate register named FDBP Register. This register contains the following information:

- Date.
- Reference number (FDBP).
- Name of the company.
- Name of the collecting bank.
- Conversion rate.
- Bill amount both in figure & in Taka.
- Export form number.
- Export L/C number.

❖ **Write down the Import permit form (IMP) and input it on the Temenos:**

Each and every importer contains one or more than one EXP forms. We need to calculate them properly. For IMP writing we need to carefully noticed the following documents:

- L/C authorization form number.
- Date.
- Value in Taka.
- Registration of LCAF.
- Quantity of goods.
- Invoice value.
• Country of origin.

• Port of shipment.

• Name of the steamer.

• Indenter’s address.

After writing the IMP second copy within 14 days, third copy within one month we need to input the data in the Temenos for Bangladesh bank monitoring.

❖ Write down the Export permit form (EXP) and input it on the Temenos:

For writing the EXP form we need to know all the documents used in LC operation are in the file. The most commonly used documents in foreign exchange are:

• Bill of Exchange
• Bill of Lading
• Commercial of invoice
• Certificate of origin
• Inspection certificate
• Packing list
• Insurance document
• Pro Forma Invoice (PI)/Indent
• Bill of exchange:

3.3.2. Online workings:

Then after fill up the EXP form we need to input all the data on the Temenos for Bangladesh bank verification.
1. For Bangladesh bank monitory purpose we need to update the transaction foreign and inland back to back LC.
2. Giving entry each and every LC opening information, Importer information.
3. At last giving input the IMP then we need to input the duplicate and the triplicate of the IMP. And after input the triplicate we cannot change the information of the IMP.
1. Here we can work from the issuing LC, EXP form up to date and the cancelation of the EXP.
2. Here we fill up the LC details and issue new EXP for new business. L/Cs shall be opened within 150 days from the date of issuance of LCAF.
3. After issuing the EXP we fill up the duplicate and the triplicate of the EXP in the Temenos. When we put the entry we need to be very careful because we cannot change the data after entry.
4. At last after saving the EXP any time Bangladesh bank or MBL can search for the EXP.

3.4. LEARNINGS:

- In foreign exchange department main task in opening LC. I learn how to open a LC
- Which documents are required for opening a LC
- In the export division I learn how to create an EXP form and how to report in the Bangladesh bank.
• In the import division I learn how to create an IMP form and how to report in the Bangladesh bank.

• On time we need to done our task. Like within 14 days we need to updated the IMP and EXP 2\textsuperscript{nd} copy and within one month we need to update the 3\textsuperscript{rd} copy of IMP and EXP.

• Learn which documents are necessary for shipping. Exporter should submit the Copies of bill of lading, Copies of packing credit, Copies of invoices and Copies of inspection certificate for shipping goods.

• Learn how to up to date the FDBP register. The registers contain up to date information about the import and export.
4. PROJECT PART
4.1. LITERATURE REVIEWE:

In 1993 in Temenos was founded in Geneva, Switzerland. From the very beginning it had a simple mission: to rid the banking industry of its legacy software. Since then, Temenos has worked to make this mission a reality. More than USD1bn it has capitalized in emerging excessive banking solutions. It has developed its product set from core banking to payments, wealth management, business analytics and channels, offering a comprehensive solution set to meet the industry’s needs. It has industrialized the prime network of partners in the industry to facilitate it to scale delivery, and Temenos has more than 1,600 installations in over 150 countries. The benefits of using modern software are visualized in no time. Temenos customers are more active, capable to suggest more modified products and services, to control at lower unit costs, to react quicker to market opportunities and to manage risk better.

In Bangladesh Temenos T24:

In present days, TEMENOS T24 is the most technically advanced banking system available. It combines the most comprehensive and flexible business functionality with the most forward-looking and accessible architecture. This gives it exceptional power to meet the challenges of today and the opportunities of tomorrow. Data Soft is an implementation partner of TEMENOS T24 and has worked in number of successful implementations in the country and abroad. At present in the 64 branch Temenos is running for the banking purpose and other 36 branch is on training. The other 36 branch is still using PC banking software.

Feature of the product:

• Retail
• Trust / Private Wealth Management
• Treasury Feature of the product
• Corporate

• General

**Benefits of the product:**

• Support for n-tier architecture

• Removal of hardware dependency through the support of UNIX, Windows platform and OS/390, LINUX

• Complete client neutrality including full support for Internet, messages (and middleware such as MQ Series) and other channels.

• Database independence with the addition of the options of Oracle, DB2, SQL Server

• Massive scale-ability through multiple application server architecture B

**T24 runs in:**

• Prime Bank Limited

• EXIM Bank Limited

• Janata Bank Limited

• Mercantile Bank Limited

• Bank Al-Rakayet (Jakarta, Indonesia)

**4.2. CHALLENGES:**

**Know you customer procedure**

Each concerned officer performs due diligence on all prospective client prior to opening an account. This process is completed by fulfilling the documentation requirement & also
a know your customer profile which is used to record a clients source of wealth, expected transactions at its most basic level. Once the client’s relationship is established the concerned officer will monitor the relationship.

**Record keeping**

MBL keeps the records of its customer’s relationships & transactions. It keeps records about the no. of L/C opened by its customers, amounts of transactions with specific foreign companies etc. When there has been a report of suspicious activities Bank is aware of continuing investigation about the money laundering relating to clients or transactions.

**Reorganization & reporting of suspicious transaction**

The first key to recognize a suspicious transaction knows enough about the customer’s business. Therefore officers of MBL recognize a transaction or series of transactions are unusual & inconsistent with customer’s regular transactions. The concerned officers refrain from carrying out transactions which they know & suspect to be related to money laundering until they have been approved by the Bangladesh Bank.

**Rate change within 10 days**

Buyers and sellers set prices using the auction method in the FX market. Sellers try to earn the highest "ask" price possible, and buyers try to purchase currency at the lowest "bid." Buyers and sellers meet at the "spot" price, the current value and exchange rate for a particular currency against others. But the currency rate or the FX rate changes within a day or within a week.

**4.3. BENEFITS:**

**LTR (lone on treasury receipt) day to day adjustment:**

The customers need to deposit the transaction value in their account, because in the TEMENOS the software deducts the bank charge and the bill of the importer or exporter bank.
Charge properly deducted:

The TEMENOS software has that function of deducting all kind of bank charge properly. The bankers need not to calculate or bargain for the charge. When the shipment reaches the software automatically deduct the charges from the customer’s account.

Liability voucher get properly:

The Bank prepare liability voucher where they charge on issuing taka value of dollar-.5% commission +vat+ endorsement charge +vat. The software calculate the proper value and give customer foreign currency.

Auto lone adjustment:

Some customer takes loan from the bank. And sometimes they delayed in paying the bank loan. The TEMENOS automatically adjust the bank loan from there deposit account or from their savings account. It is a huge benefit for the bank, because within 10th of the month the lone is adjusted. But at the same time is a huge disadvantage for the customer because there savings or deposit account hamper at that time. Or sometime the account show negative balance for auto lone adjustment.

4.4. COMPETETIVENESS:

World 2nd used software:

Temenos is world second used software for banks. Mercantile bank limited use this software for their banking activity.

All the information up-to-date:

Because of Temenos all the transaction, paper works should be up-to-date. Bangladesh bank can see the up-to –date information and working progress through this software.
Save time in transaction method:

Temenos automatically calculate the charges and deduct the bank charges from the customer account. So there is no chance of bargaining on charge deduction.

4.5. RISK/LIMITATIONS:

Exchange rate risk:
Bank mainly uses dollar as its principal means of exchange as it repays all the foreign bills and some inland bills in dollar. And it faces exchange risks when the price of dollar goes up. Recently, the serious dollar crisis is alarmingly disturbing the import business of the Bank. Rather borrowing from abroad, the government bought oil-borrowing dollars from the internal market, which caused a tremendous shortage in dollars in the inter-Bank foreign exchange market. Some Banks, in a badly need of dollars, borrowed at a higher price, which, in turn, resulted in an even higher price for the dollar.

Forward Contracts
These contracts specify an exchange rate at which a specific amount of dollar will be purchased or sold to the opener of the L/C at a specified future point in time. Banks locks itself at the exchange rate on the date of acceptance for making payment in future at a specific date, which is stipulated in the L/C.

Money laundering:
According to Money Laundering Prevention Act (MLPA) 2002, Money Laundering entails acquiring property directly or indirectly through illegal means. In addition, illegal transfer, conversion, concealment of property acquired directly or indirectly by legal or illegal means and aiding and abetting such activity also fall under the crime of money laundering. While dealing with foreign currencies, Bank has to encounter the money-laundering act in the form of money smuggling beyond its knowledge. It appears in the following forms:
Charging Higher and Recurring Discounts

In a conspiracy among the buying house, cargo forwarding agent, local exporter, and foreign importer, discounts are charged repeatedly at higher amounts and thus bulk of foreign currencies is smuggled away from the country. To prevent the conspiracy, the Banks are required to scrutinize the legacy of the license of the buying house, cargo or freight forwarding agent, provided by Bangladesh Bank. The Banks are also required to check their issued Airway Bill as well as the documents against the transferred L/C and. The buying house is not entitled get more than 5% of the total L/C value. It is the responsibility of the Bank to oversee that the amount does not exceed that specified level.

Fake Import

It is sometimes found that in spite of clearing the payment no shipment has reached the country against the L/C opened. While investigated, the given address of the importer has been found phony. This is a clear case of money laundering and the Bank has committed a crime according to the Money Laundering Prevention Act-2002 by not verifying the customer beforehand.

Charging more foreign bank charge

In our country it is common practice for the exporter to deduct more foreign Bank charge from bill value to determine the realized proceeds. Bangladesh Bank has fixed the rate of foreign Bank charge which is not more than 5%. Sometimes some exporter get chance to deduct more than 5% but the rate should not be excess of 7%.

Operational error

Some common pitfalls that frequently arises in the course of operations of the Bank that not only invite dangers for the issuing Bank but also put them in risk of violating rules:
Study on Temenos: A core banking solution for Bangladeshi Banks

Error in Import Related Transactions

- Not gathering information about the foreign exporters before opening L/Cs in their favor.
- Opening L/Cs against imperfect indents.
- Not collecting TIN while opening L/C.
- Not submitting the 3rd and 4th copy to the CCI & E.
- Late payment of the non-discrepant bills which is supposed to clear within 3 days.
- Holding discrepant documents more than 7 days without informing the negotiating Bank.
- Not submitting the exchange control copy of fully utilized LCAF or overdue LCAF.
- Not collecting or matching the bill of entry or custom certified invoice with the 2nd copy of the IMP form in time. Importers have to be hurried for the collection of these as soon as possible. The collected bill of entry has to be recorded, as well as matched and collected with the 2nd copy of the IMP.

Error in Export Related Transactions

- Not submitting the 2nd copy of the EXP form within 14 days of the shipment.
- Not presenting the 3rd copy of the EXP form in the respective month of the realization of the export proceeds.
- The above incongruity in the operations unlocks the gate for unauthorized transactions, which may cause a financial loss to the Bank. Unscrupulous importers and exporters can take advantage of this and the Bank may suffer a reputation loss, if luckily not financial one.
5. FINDINGS AND RECOMMENDATION:
5.1. OVERALL FINDINGS OF MBL:

I have discussed some matters related with foreign exchange operation of MBL

- As a leading commercial Bank, Mercantile Bank Ltd. is playing an important role toward the growth and economic development of Bangladesh.

- The Bankers working with the foreign exchange operations try to submit the duplicate & triplicate copies exp in due time.

- For Bangladesh Bank’s exchange control purpose, online L/C monitoring systems is performed daily by inputting details of L/C information with the following
  - Applicant & Beneficiary’s name & address
  - Foreign currency amount
  - Date of issue of & expiry L/C and place of L/C
  - H.S code & Description of goods (Quantity, per unit price, total amount)
  - Letter of Credit Authorization form (LCAF) number and date
  - Origin of the goods & name of the Pre Shipment Inspection (PSI) company

- MBL provide assistance in relation with foreign exchange to the small scale industries entrepreneur. Small entrepreneur has not to keep higher margin regarding opening a L/C. As a result, their services are diversified in to the small scale portfolios.
The officers are very helpful to the business man. Some of our business men do not know exactly the procedures of opening L/C. The officers of MBL help them properly to execute their business.

The performance of import & export is improving.

Foreign exchange branches of MBL try to maintain all the necessary register books such as exp register, imp register/C opening register, IBCA register, IBDA register, ARV register, customer performance register, local register etc.

We know that foreign exchange operation is mainly technology and computer based. But sometimes the main server suddenly disrupted & the central computer cannot interact with other computers.

The employees are still not expert in using of Temenos. The face problem in working.

The software for the operating daily activities of foreign exchange is not so fast & suddenly become inactive.

SWIFT department is located in the main branch & the necessary documents are sent from the main branch to other branches.

The numbers of branches which are working with foreign exchange operation are very limited.

The Bankers of MBL feel bored & disturbed on online registry of exp & imp form due to the timeliness & weakness of the online monitoring system of Bangladesh Bank.

The remittance flow is not satisfactory for MBL.
5.2. RECOMMENDATION:

It is not unexpected to have problems in any organization. There must be problems to operate an organization. But there must be remedies to follow. The following recommendations can be suggested to solve the above mentioned problems:

- MBL should increase its experienced manpower level in Foreign Exchange Operation.
- They need more training opportunity in Temenos.
- Technological Update such as hi speed network and software.
- Foreign exchange expertise should be recruited. More Temenos trained employee need in foreign exchange.
- MBL should update the software to ensure smooth operation of day to day activities of foreign exchange department.
- More branches should be given access to do foreign exchange operations on Temenos.
- MBL should develop an effective database needed for analyzing Foreign Exchange Business & sectors wise export-financing facilities.
- All the branches that do foreign operation should maintain all the update on Temenos for Bangladesh Bank can effectively audit the foreign operation of Bank.
- MBL should maintain all the necessary documents in case of foreign operation by the customers so that customers can understand that where their tax, duty, vats Etc charged. Because in Temenos it cut all kinds of charges automatically from the account.
5.3. CONCLUSION:

Banking is becoming more and more vital for economic development of Bangladesh in mobilizing capital and other resources. Mercantile Bank, being a third generation Bank, is also extending such contributions as to the advancement of the socioeconomic condition of the country. It is not possible to get 100% from anywhere especially for those organizations which with mass people. MBL has some problems but it is encouraging that they are trying to overcome these obstacles. To keep pace with the current demand Mercantile Bank Limited should be more responsive.

It is a great pleasure for me to have practical exposure to the Mercantile Bank Limited, Main branch. Without practical knowledge, it is not possible for me to compare the academic knowledge & practical knowledge. During the practical orientation I have observed the function of General Banking, Foreign Exchange, Accounting Department of Mercantile Bank Limited, Mohakhali Branch. I worked in the year ending period and these branches achieve maximum profit and rated 1st in allover 100 branches of MBL. Foreign Exchange Department of Mercantile Bank Mohakhali branch can be an idol for foreign exchange operation.

The time is very limited to learn all the sectors of a Bank. If the duration of internship can be increased, then it is possible to learn all the Banking activities more properly. To compete in the environment of advancing technology and faster communication the MBL should depend more heavily on the quality service and information technology. To compete with other Banks operation in Bangladesh, MBL should introduce easier way for faster processing of credit analysis. As a leading new generation Bank Mercantile Bank Limited is contributing significantly to the economy of Bangladesh with a promising future.
Reference:

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Acronyms

- **MBL**: Mercantile Bank Limited
- **DD**: Demand Draft
- **FDR**: Fixed Deposit Receipt
- **LCA**: Latter of Credit Authorization
- **L/C**: Letter of Credit
- **BB**: Bangladesh Bank
- **SWIFT**: Society for Worldwide Inter Bank Financial Telecommunication
- **EDF**: Export Development Fund
- **ERC**: Export Registration Certificate
- **IRC**: Import Registration Certificate
- **MT**: Mail Transfer
- **TC**: Travelers Cheque
- **LCAF**: Letter of Credit Authorization Form
- **C.C.I. & E**: Chief Controller of Import & Export
- **CRM**: Credit Risk Management
- **EDBP**: Foreign Documentary Bill Purchase
- **ERC**: Export Registration Certificate
- **FBPAR**: Foreign Bills Payment Awaiting
- **FOB**: Free on Board
- **IFDD**: Issuance of Foreign Demand Draft
- **IBDA**: Inter Branch Debit Advice
- **IFBC**: Inward Foreign Bills for Collection
- **LCA**: Latter of Credit Authorization
- **PAD**: Payment against Document
- **BB**: Bangladesh Bank
A STUDY ON TEMENOS: A CORE BANKING SOLUTION FOR BANGLADESHI BANKS

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INTRODUCTION
Objective of the Study

Scope of the Study

Methodology

Limitation of the Study

Organizational Overview

History of Mercantile Bank Limited

Service

- General Banking & Deposit Management
- Credit Department
- Foreign Exchange Department
SWOT ANALYSIS OF MBL

INTERNERSHIP EXPERIENCE

- DEPARTMENT OVERVIEW: (FOREIGN EXCHANGE)

- Part of Foreign Exchange Operation
  - a) Import
  - b) Export
  - c) Foreign Remittance
OFFLINE WORKINGS:

• Up-to-date the foreign Documentary Bill Purchase (FDBP):

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• Write down the Export permit form (EXP) and input it on the Temenos
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2. Here we fill up the LC details and issue new EXP for new business. L/Cs shall be opened within 150 days from the date of issuance of LCAF.

3. After issuing the EXP we fill up the duplicate and the triplicate of the EXP in the Temenos. When we put the entry we need to be very careful because we cannot change the data after entry.
4. At last after saving the EXP any time Bangladesh bank or MBL can search for the EXP.

### LEARNINGS:
PROJECT PART

- Literature review
- In Bangladesh Temenos T24:
  - Feature of the product:
    - T24 runs in

CHALLENGES

- Know you customer procedure
- Record keeping
- Reorganization & reporting of suspicious transaction
- Rate change within 10 days
**BENEFITS**

- LTR (lone on treasury receipt) day to day adjustment:
- Auto lone adjustment:
- Liability voucher get properly:
- Charge properly deducted:

**COMPETETIVENESS**

- Save time in transaction method:
- World 2nd used software
- All the information up-to-date:
RISK/LIMITATIONS

- Exchange rate risk:
- Forward Contracts
- Money laundering:
- Charging Higher and Recurring Discounts
- Fake Import
- Charging more foreign bank charge
- Operational error
- Error in Import Related Transactions
- Error in Export Related Transactions

OVERALL FINDINGS OF MBL
RECOMMENDATION

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CONCLUSION