

**Internship Report**

**On**

**Foreign Exchange Operation Of  
National Bank Limited**



**BRAC BUSINESS SCHOOL**

**BRAC University**

# Foreign Exchange Operation Of National Bank Limited

## Prepared for

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Course: Internship (Bus 400)

**Date of Submission: 26<sup>th</sup> May 2014**

## **LETTER OF TRANSMITTAL**

April 23, 2014

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BRAC Business School,

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### **Subject: Submission of Internship Report.**

Dear Madam,

Here is the internship report that I have completed as part of fulfilling the requirement for the Internship (BUS 400) course. It is a great pleasure and privilege to present the internship report titled **“Foreign Exchange Operation of National Bank Limited”** which was assigned to me as a partial requirement for the competition of my BBA Program.

Throughout the study, I have tried with the best of my capacity to accommodate as much information and relevant issues as possible and tried to follow the instructions as you have suggested. I tried my best to make this report as much informative as possible. I sincerely believe that it will satisfy your requirement. I however sincerely believe that this report will serve the purpose of my internship program.

I am grateful to you for your guidance and kind co-operation at every step of my endeavor on this report. I shall remain deeply grateful, if you kindly put some effort to go through the report and evaluate my performance.

All of my efforts will be successful if the report can serve its purpose.

Sincerely Yours,

.....  
Abdullah Abu Sayed

ID # 09304068

BRAC Business School,

BRAC University

## **ACKNOWLEDGEMENT**

First, I would like to express my deep gratitude to the creator, who created and nurture me in this transitory world. I also express my gratitude to him for giving me an opportunity to complete my internship program successfully as a partial requirement of BBA program.

Then, I would like to express my indebtedness and deep sense of gratitude to me honorable supervisor lecture **AsphiaHabib**, BRAC Business School, BRAC University, whose scholastic supervision, kind and sympathetic guidance, warm advice and encouragement have enabled me to materialize this report successfully.

I would like to express my sincere gratitude to all executives, officers and employees of National Bank Limited, Foreign Exchange Branch, who had responded cordially to meet my needs relating to the report and gave me feeling that I am not alone in this great responsibility. Of them, I like to mention the name of –

1. MirzaZakirSarwar Ahmed (Senior Vice President & Branch Manager)
2. Ruhul Amin Khan (Vice President)
3. Md. HanifMiah (Assistance Vice President, Foreign Exchange In charge)
4. Md. AbulHossain (Assistance Vice President)
5. GolamMostafizurRahman (Senior Principal Officer, Import)
6. Magdalin Desai (Senior Principal Officer, Accounted)
7. MehnazFara (Junior Officer, Local Export)
8. Md. Omar Faruque (Principal Offecer)
9. Md. Rahnur Islam (Principal Offecer)
10. Ram Rrishna Das (SEO)

Without their effort, it would be impossible to bring this report to the light.

I shall never forget the help from some book, term papers, journals etc., above all I really be indebted to authors of these works.

I am grateful to my beloved parents, friends and well-wishers for their inspiration that lead me to go ahead.

Finally, I thank all the persons who have directly or indirectly contributed in preparing this report.

## **EXECUTIVE SUMMARY**

An internship program is very important & essential for acquiring experience through learning and spreading the scope of Knowledge. I have done my internship program in National Bank Limited.

This internship report is aimed at providing a comprehensive picture to the areas of Foreign Exchange operation of National Bank Limited. The report has been divided into eleven parts. These are: Introduction, Corporate review of National Bank Limited (NBL), Foreign Exchange, and Documents Used in Foreign Exchange Business, Letter of Credit (L/C), Import, Export, Foreign Remittance, Findings and Analysis, References.

National Bank Limited is one of the largest commercial Bank of Bangladesh. The main objective of the Bank is to provide all of banking services at the doorsteps of the people. The Bank also participates in various social and development programs and takes part in implementation of various policies and promises made by the Government.

National Bank Limited plays a pioneering role in handling foreign trade and foreign exchange transactions. With wide network of branches at home and a large number of correspondent banks worldwide, it is handling the largest volume of export-import business including homebound remittances. For this reason, Foreign Exchange of the Bank is very much essential. But, now a day's banking sector of Bangladesh is suffering the disease of default culture which is the consequence or result of bad performance of most banks.

There are three types of modes of foreign exchange market, which are: Export Financing, Import Financing and Foreign Remittance. Foreign Exchange Branch does these foreign exchange activities vastly. In this report, I mention the overall operating procedure of foreign exchange transaction of National Bank Limited (NBL). I also mention the findings of my report and describe the recommendation to overcome the limitation.

I have taken all the reasonable care to ensure the accuracy and quality to make the report standard. And I believe that it has included all the necessary information to be relevant.

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# CHAPTER-01

## INTRODUCTION

### 1.1 ORIGIN OF THE REPORT

As a mandatory part of the BBA program, all the students of the faculty of Business Studies, BRAC University have to undergo a three month long internship program with an objective of gaining practical knowledge about current business world. After this internship program is over every student has to submit an internship report mentioning their activities during the internship program.

I have started my internship at the National Bank Limited, Foreign Exchange Branch, Elephant Road, Dhaka, on 2<sup>nd</sup> February 2014. At the end of the program I am submitting my internship report focusing on the contribution of Foreign Exchange operation to the overall performance of bank especially on profitability perspective under the supervision of AsphiaHabib, Lecturer, Department of Business Administration, BRAC University.

### 1.2 OBJECTIVE OF THE STUDY

The general objective of the study is to gather practical knowledge regarding banking system and operation. The practical orientation gives as a chance to relate the four years long theoretical learning of BBA Program with the practical experience. This consists the following:

- To get an overall idea about the Foreign Exchange Business of NBL.
- To apply theoretical knowledge in the practical field.
- To describe the organizational structure, management, background, function and objectives of the bank and its contribution to the national economy.
- To achieve overall understanding of NBL.
- To analyze the financing systems of the bank to find out any contributing field.
- To examine the profitability and productivity of the bank.
- To acquire knowledge about the everyday banking operation of NBL.

- ✚ To evaluate the effect of world recession on foreign exchange income of NBL, foreign exchange branch.
- ✚ To understand the real management situation and try to recommend for improving existing problems.

### **1.3 SCOPE OF THE STUDY**

This study provides those scopes of knowing are the following:

- ✚ History and performance of National Bank Limited (NBL).
- ✚ Terms used in foreign exchange operation.
- ✚ Foreign Exchange Operations of NBL.
- ✚ Literature review.
- ✚ Total concept of Foreign Exchange Operation.

### **1.4 METHODOLOGY OF THE STUDY**

The report is prepared on the basic of Foreign Exchange of NBL. To conduct the overall study, at first I explored the sources of primary and secondary information and data. Different files of the department and statement prepared by FED helped me to prepare this report. I have interviewed the NBL officials for getting more information. To present numerical data, I used the annual report of 2010/2011/2012 of National Bank Limited, Foreign Exchange Branch. For preparing this report I have used some representation to find out different types of analytical and interpretation.

### **1.5 SOURCES OF DATA**

As mentioned earlier, mainly primary and secondary data has been used. Sometimes the customers gave some important information regarding the services of the Bank:

### 1.5.1 PRIMARY DATA

- ✘ Official records of NBL
- ✘ Face to face conversation with the client.
- ✘ Personal Interview – Face-to-face conversation and in depth interview with the respective officers of the branch.
- ✘ Personal observation – Observing the procedure of banking activities followed by each department.
- ✘ Daily diary.
- ✘ Practical work exposures on different areas of the branch.

### 1.5.2 SECONDARY DATA

- ✘ Monthly statement of NBL.
- ✘ Annual report of NBL
- ✘ Official files.
- ✘ Selected books.
- ✘ Other manual information.
- ✘ Websites

## 1.6 LIMITATIONS OF THE STUDY

To provide current information and to make the report the report read-worthy, support from various sources is essential. In spite of having my wholehearted effort, I could not collect some information required at the time of the study. So this study is not free from the following limitation:

- ✘ Due to unavailability of latest annual report (Annual report of 2010/2011/2012), I have to prepare the report on the basis of annual report 2012. As a result, analysis, presentation of data may not show the existing position or the present condition of National Bank Ltd.
- ✘ For the whole internship I had only 12 weeks, out of which I get 9 weeks because of late commencement of internship program, which were totally insufficient.
- ✘ Foreign exchange division follows Uniform Customer and Practice for Documentary Credits (UCPDC), but within this short period I was totally stunned to understand.

- ✘ Learning all the banking function within 12 weeks was really difficult.
- ✘ Sometime the officers of National Bank Limited were very busy. For that reason the personal did not co-operate me.
- ✘ National Bank Limited did not give me any kind of monetary support for this internship program.
- ✘ Most of the working days in NBL, I have to work in cash department to help in IPO subscription collection, so I get limited time work in other departments to have practical knowledge.
- ✘ Another limitation of this report is Bank's policy of not disclosing some data and information for obvious reason, which could be very much helpful.

## CHAPTER-02

# CORPORATE REVIEW OF NATIONAL BANK LIMITED

### 2.1 HISTORY OF NATIONAL BANK LIMITED

**National Bank Limited** has its prosperous past, glorious present, prospective future and under processing projects and activities. Established as the first private sector Bank fully owned by Bangladeshi entrepreneurs, NBL has been flourishing as the largest private sector bank with the passage of time after facing many stress and strain. The member of the board of directors is creative businessman and international economist. For rendering all modern service, NBL, as a financial institution automated all its branches with computer network in accordance with the competitive commercial demand of time. Moreover, considering its forthcoming future the infrastructure of the Bank has been much more to NBL. Keeping the target in mind NBL has taken preparation branches by the year 2000-2001.

The emergence of National Bank Limited in the private sector is an important event in the banking area of Bangladesh. When the national was in the grip of severe recession, Govt. took the farsighted decision to allow in the private sector to revive the economy of the country. Several dynamic entrepreneurs came forward for establishing a bank with a motto to revitalize the economy of the country.

National Bank Limited was born as the first hundred percent Bangladesh owned bank in the private sector. From the very inception it is the firm determination of National Bank Limited to play a vital role in the nation economy. We are determined to bring back the long forgotten taste of banking services and flavors. We want to serve each one promptly and with a sense of dedication and dignity.

The President of the People's Republic of Bangladesh Justice Ahsanuddin Chowdhury inaugurated the bank formally on March 28, 1983 but the first branch at 48, Dilkusha Commercial Area, Dhaka started functioning on March 23, 1983. The 2<sup>nd</sup> branch was opened on 11<sup>th</sup> May 1983 at Khatungonj, Chittagong. Today, National Bank Limited has over 150 Branches all over Bangladesh.

A team of highly qualified and experiment professional headed by the managing Director of the bank who has vast banking experience operates bank and at the top three is an efficient Board of Directors for making policies.

## **2.2 VISION OF NATIONAL BANK LIMITED**

Ensuring highest standard of clientele services through best application of latest information technology, making due contribution to the national economy and establishing ourselves firmly at home and abroad as a front ranking bank of the country are our cherished vision.

## **2.3 MISSION OF NATIONAL BANK LIMITED**

Efforts for expansion of our activities at home and abroad by adding new dimensions to our banking services are being continued unabated. Alongside, we are also putting highest priority in ensuring transparency, account ability, improved clientele service as well as to our commitment to serve the society through which we want to get closer and closer to the people of all strata. Winning an everlasting seat in the hearts of the people as a caring companion in uplifting the national economic standard through continuous up gradation and diversification of our clientele services in line with national and international requirements is the desired goal we want to reach.

## **2.4 OBJECTIVE OF NATIONAL BANK LIMITED**

- ❑ Bring modern banking facilities to the doorsteps of general public through diversification of services, thereby arousing saving propensity among the people.
- ❑ Foreign cordial, deep rooted and farm banker customer relationship by dispensing prompt and improved clientele services.
- ❑ Taking part in the development of the national economy through productive development of the banks resources as well as patronizing different social activities.
- ❑ Connecting clients to modern banking practices by the best application of improved information technology, so that they get encouraged to continue and feel proud of banking with National Bank Limited.
- ❑ Ensuring highest use of the professional workforce through enhancement of their attitude and competence.

- ✘ Responding to the need of the time by participating in the syndicated large loan financing with like-minded banks of the country, thereby expanding the area of investment.
- ✘ Elevating the image of the bank at home and abroad by sustained expansion of its activities.

## **2.5 STRATEGIES OF NATIONAL BANK LIMITED**

- ✘ To manage and operate the bank in the most efficient manner to enhance financial performance and to control cost of fund.
- ✘ To strive for customer satisfaction through quality control and delivery of timely services.
- ✘ To identify customer credit and other banking needs and monitor their perception towards our performance in meeting those and update requirement.
- ✘ To review and update policies procedures and practices to enhance the ability to extend better services to customers.
- ✘ To train and develop all employs and provide them adequate resources so that customer need can responsibility addressed.
- ✘ To increase direct contract with customer in order to cultivate a closer relationship.

## **2.6 BUSINESS GOAL**

To patronize, sponsor and encouraged games and sports, entertainment and other Socio-economic activities alongside providing the best services to client.

## **2.7 THE FUTURE TRUST**

- ✘ Full duplex on-line Banking.
- ✘ Introducing more innovative services.
- ✘ Opening new branches.
- ✘ Expansion of business network at home & abroad.
- ✘ Introduction of new liability.



## 2.8 CORPORATE CULTURE

Employees of NBL share certain common values, which helps to create a NBL culture.

- ✘ The client comes first.
- ✘ Search for professional excellence.
- ✘ Openness to new ideas and new methods to encourage creativity.
- ✘ Flexibility and prompt response.
- ✘ A sense of professional ethics.

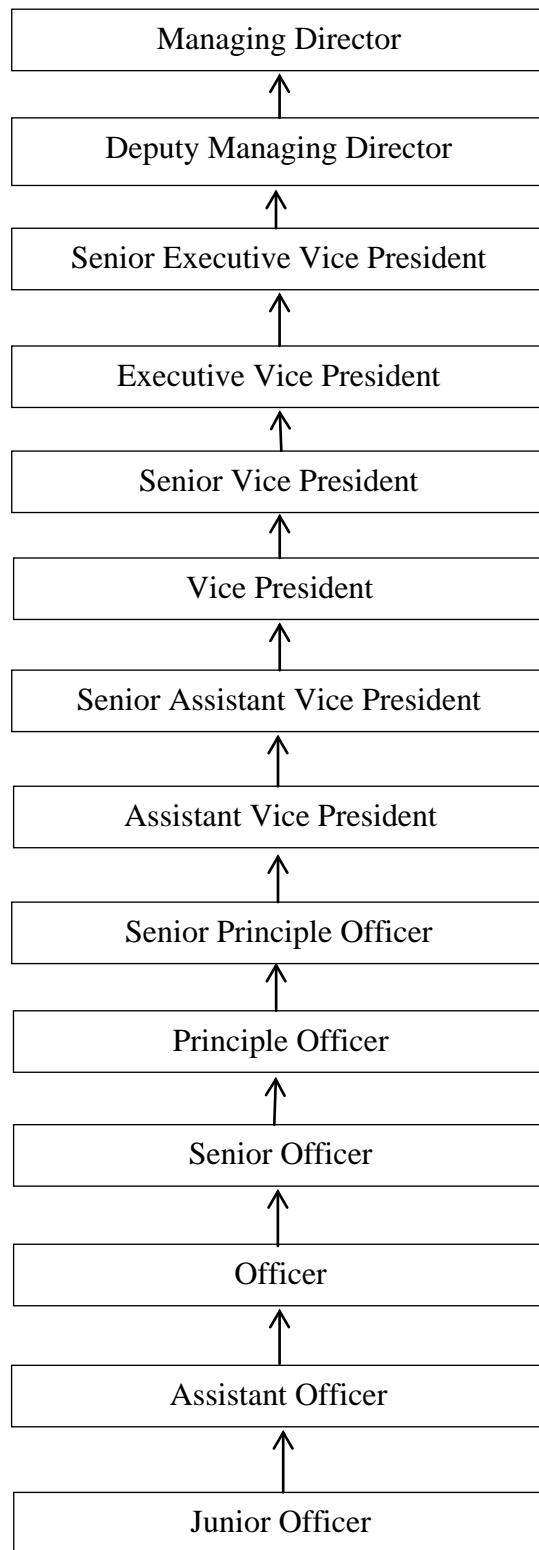
## 2.9 BRANCHES OF NBL

NBL which was started at Dilkusha Branch on 23<sup>rd</sup> March 1983 was the first major Commercial Bank. In Bangladesh operating throughout the country as well as the age of the bank is only 30. During this period it has established total 150 up branches over the country made smooth network inside the country as well as thought the world. The number of Branches as well as territory wise is mentioned in the table:

Area wise branches:	
Division area	Number of branches
Dhaka Division	79
Chittagong Division	32
Rajshahi Division	11
Khulna Division	07
Sylhet Division	18
Barishal Division	07
Rangpur Division	07

**Table 01:** Branches of NBL

## 2.10 MANAGEMENT HIERARCHY OF NBL



**Figure 01: Management Hierarchy**

## CHAPTER-03

# FOREIGN EXCHANGE

### 3.1 MEANING OF FOREIGN EXCHANGE

Foreign Exchange means exchange foreign currency between two countries. If we consider “Foreign Exchange” as a subject, then it means all kind of transactions related to foreign currency. In other wards foreign exchange deals with foreign financial transactions.

H.E Evitt defined “Foreign Exchange” as the means and methods by which rights to wealth expressed in the currency of one country are converted into right to wealth in terms of the currency of another country.

### 3.2 REGULATORY REQUIREMENTS OF FOREIGN EXCHANGE

Any import and export of our country is regulated by different local and international laws and regulatory bodies. The core guidelines under the preview of which import and export of our country have to be performed are:

- ✘ Import Policy
- ✘ Export Policy
- ✘ Guidelines for foreign exchange transection of Bangladesh Bank (Vol. 1 & 2)
- ✘ Circular issued by Bangladesh Bank.
- ✘ Circular issued by NBR.
- ✘ Circular issued by CCI&E.
- ✘ UCPDC (ICC publication no. 600) & ISBP, URC, URR.
- ✘ Public Notice.
- ✘ Ministry of Commerce Circular.
- ✘ Other Authorization (i.e. NBC Dept.)

Among the regulatory bodies, Chief Controller of Import and Export, Bangladesh Bank play major role in monitoring and ensuring compliance of various regulations.

### 3.3 WHY EXCHANGE IS TO BE CONTROLLED

Foreign Exchange is to be controlled for the following reason:

- To stabilize the rate of exchange.
- To protect domestic Industries.
- For proper implementation of plans.
- To increases the bargaining strength.
- To check over invoicing & under invoicing.
- To check the black marketing and smuggling.
- For regulating the international movement of goods.

### 3.4 FUNCTIONS OF FOREIGN EXCHANGE DEPT

**Foreign Exchange is mainly combination of three parts:**

- Foreign Remittance.
- Export.
- Import.

These three parts are most essential part of Foreign Exchange Operations of NBL at Foreign Exchange Branch as well as other AD branches. Not only NBL but also all banks of Bangladesh have to play these roles in Foreign Exchange Operation. I will discuss about these topics in later chapters.

### 3.5 FOREIGN EXCHANGE CONDITION OF NBL

#### 3.5.1 FOREIGN REMITTANCE

Year	2008	2009	2010	2011	2012
Foreign Remittance	39877.80	44381.50	49145.30	54469.40	66513.90

Table 02: Foreign Remittance

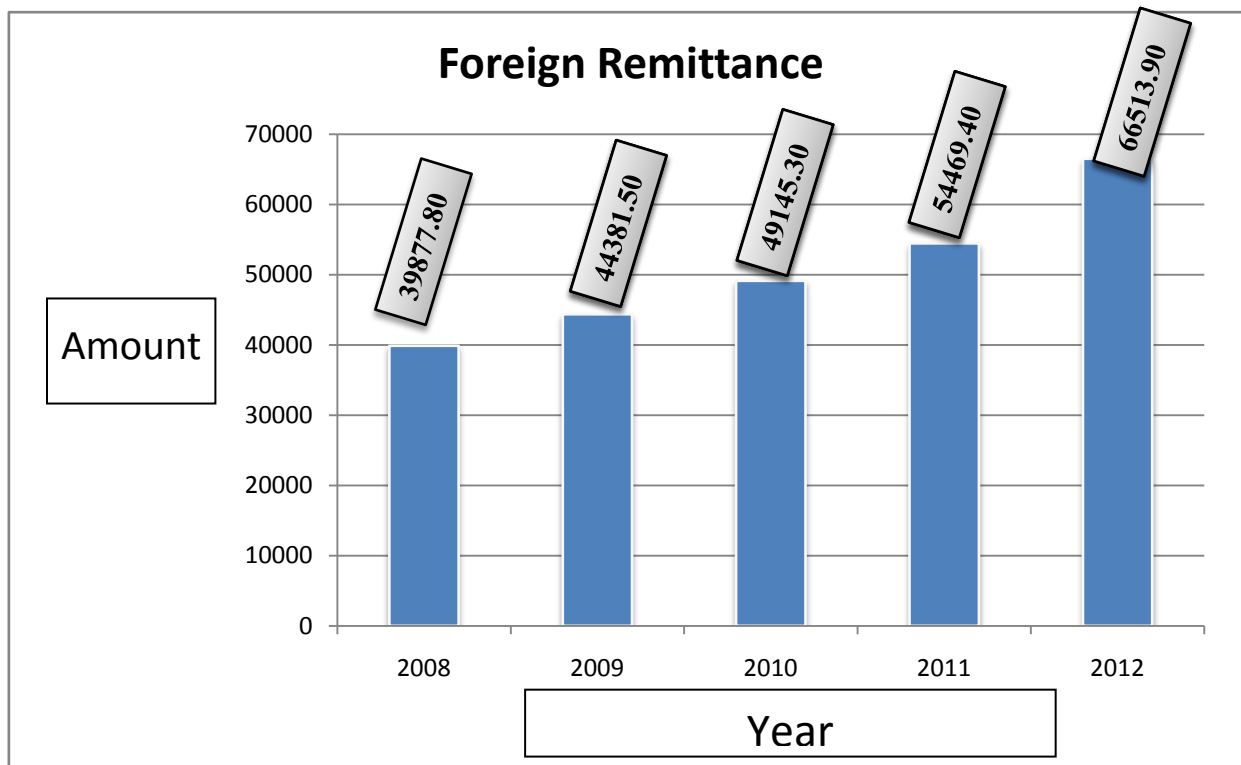


Figure 02: Foreign Remittance

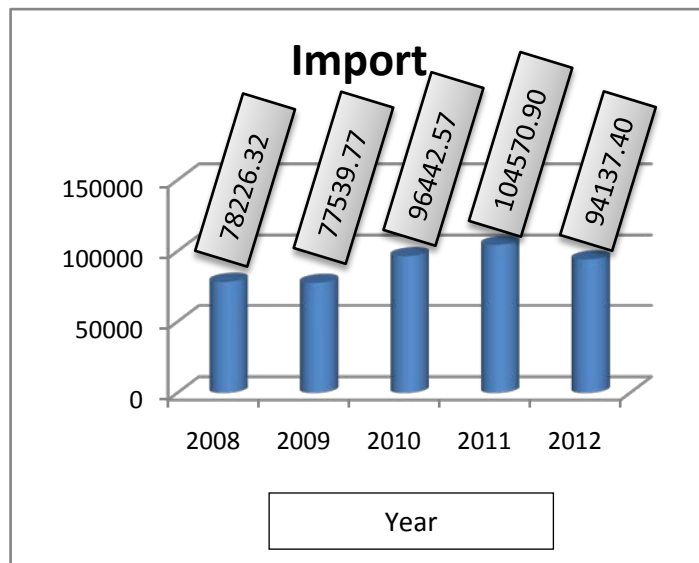
**Comment:** In 2012, foreign remittance brought into the country through NBL was USD 645.97 million showing an increase of USD 63.50 million over the previous year. This growth was possible due to introduction of different instant payment products and technology including extending SWIFT, online, EFT etc. and further efforts are being made for more speedy payments.

### 3.5.2IMPORT

Year	2008	2009	2010	2011	2012
Import	78226.32	77539.77	96442.57	104570.90	94137.40

**Table 03:** 5 Years Import Business of NBL (source: NBL Annual Report 2012, page: 47)

**Comment:**Import trade finance of NBL has been decreased to TK. 94137.40 million in the year 2012 compared to TK.104570.90 million in the year 2011. The decrease in TK. is by 0.89%. The main commodities were scrap vessels, rice, wheat, edible oil, capital machinery, petroleum products, Fabrics and other consumer items.



**Figure 03:** Import

### 3.5.3 EXPORT

Year	2008	2009	2010	2011	2012
Export	36284.44	38398.85	47812.47	60893.90	69062.9

**Table 04:** 5 Years Export Business of NBL (source: NBL Annual Report 2012, page: 47)

**Comment:**The bank has been nurturing the export finance with special emphasis since its inception. In 2012 it handled 23763 export documents valuing USD 850.00 million with a growth of 2.60% over the last year. Export finances were made mainly to readymade garments, knitwear, frozen food and fish, tanned leather, handicraft, tea etc.



**Figure 04:** Export

## CHAPTER-04

# DOCUMENTS USED IN FOREIGN EXCHANGE

### 4.1 LETTER OF CREDIT (L/C)

It is the most important and commonly used in connection with foreign trade. Letter of Credit is an undertaking by a banker of the importer to the exporter, to the effect that the amount of the L/C will be duly paid. The banker on behalf of the importer issues the L/C in favor of the exporter (beneficiary) and forwards the same to the exporter to the effect that the bill drawn by him shall be duly accepted and paid. It creates confidence in the mind of the exporter so far as payment of the bill is concerned. It is also facilitate the exporter to get the benefit of the bill before the date if maturity.

### 4.2 BILL OF EXCHANGE

A bill of exchange is an instrument in writing, containing an unconditional order, signed by the maker, directing a certain person to pay on demand or on fixed or determinable future time a certain sum of money only to or to the order of a certain person or to the bearer of the instrument. From the definition- we get the features of bill of exchange. In generally there are three parties like- Drawer: The person who prepares the bill; Drawee: The person who is ordered for the payment in future specified time; Payee: The person who is the amount of bill receiver as per the order of the drawer to the drawee.

### 4.3 BILL OF LADING

A bill of lading is a document that is usually stipulated in a credit when the goods are dispatched by sea. It is evidence of a contract of carriage, is a receipt for the goods and is a document of title to the goods. It also constitutes a document that is or may be needed to support insurance claim. The detail on the bill of lading should include:

- ☒ A description of the goods in general terms not inconsistent with that in the credit.
- ☒ Identifying marks and number (if any).
- ☒ The name of the carrying vessel.
- ☒ Evidence that the goods have been loaded on board.
- ☒ The port of shipment & discharge.

- ✘ The name of shipper, consignee and name & address of notifying party.
- ✘ The number of original bills of lading issued.
- ✘ The date of issuance.

A bill of lading specifically stating that goods are loaded for ultimate destination specifically mentioned in the credit.

#### **4.4 COMMERCIAL INVOICE**

A commercial invoice is the accounting document by which the seller charges the goods to the buyers. A commercial invoice normally including the following information:

- ✘ Date
- ✘ Name & address of buyer & seller.
- ✘ Order or contract number, quantity & description of the goods, unit price and the total price.
- ✘ Weight of the goods, number of packages and shipping market & number.
- ✘ Terms of delivery & payment.
- ✘ Shipment details.

#### **4.5 CERTIFICATE OF ORIGIN OF GOODS**

A certificate of origin is a signed statement providing evidence of the origin of the goods.

#### **4.6 INSPECTION CERTIFICATE**

This is usually issued by an independent inspection company located in the exporting country certifying or describing the quality, specification or other aspects of the goods, as called for in the contract and/or the letter of credit. The buyer who also indicates the type of inspection usually nominates company he/she wish the company to undertake.

#### **4.7 INSURANCE POLICY OR CERTIFICATE**

- ✘ The insurance certificate document must.
- ✘ Be that specified the credit.
- ✘ Cover the risks specified in the credit.
- ✘ Be consistent with the other documents in its identification of the voyage and description of the goods.



✘ Unless otherwise specified in the credit:

- ✘ Be a document issued/ or signed by an insurance company or its agent or by underwriters.
- ✘ Be dated on or before the date of shipment as evidenced by the shipping documents or establish that cover is effective at the latest from such date of shipment.
- ✘ Be for an amount at least equal to the GIF value of the goods and in the currency of the credit.

#### **4.8 PROFORMA INVOICE OR INDENT**

Seller's made quotation or agreement between seller and buyer. In this the seller declared the rate, quantity, manufacturing & other information about goods and that accepted by buyer.

#### **4.9 G.S.P. CERTIFICATE (GENERALIZED SYSTEM OF PREFERENCE)**

When tariff concession is sought from those developed countries providing preferential treatment to exporters of the developing countries, a GSP certificate should be obtained from the EPB. In GSP scheme the tariff providing country is payer country & tariff consumer or receiver country. Up to the period there are 16 developing countries under this scheme facility. From Bangladesh export development burro the industrialists may get necessary information & practical procedure.

#### **4.10 PACKING LIST**

Here the detailed descriptions of goods packed in cases are written. Such as total quantity in lot, per packet, total weight of the shipment, per packet etc. are written.

#### **4.11 DOCUMENTARY CREDIT**

In simple terms a documentary credit is conditional bank undertaking of payment. Expressed more fully, it is written undertaking by a bank (Issuing Bank) given to the seller (Beneficiary) at the request and in accordance with the instructions of the buyer (Applicant) to effect payment (i.e. by making a payment or by accepting or negotiating bills of exchange) up to a stated sum of money, within a prescribed time limit & against stipulated documents.

These stipulated documents are likely to include those required those required for commercial invoice, certificate of origin, insurance policy or certificate and bill of lading or combined transport document.

There are various types of documentary credits. A revocable credit can be amended or cancelled at any time without prior warning or notification to the seller.

An irrevocable credit can be amended or cancelled only with the agreement of all parties. As there are often two banks involved the issuing bank & the advising bank, the buyer can ask or an irrevocable credit to be confirmed irrevocable credit.

**There are four types of documentary credits according to payment methods:**

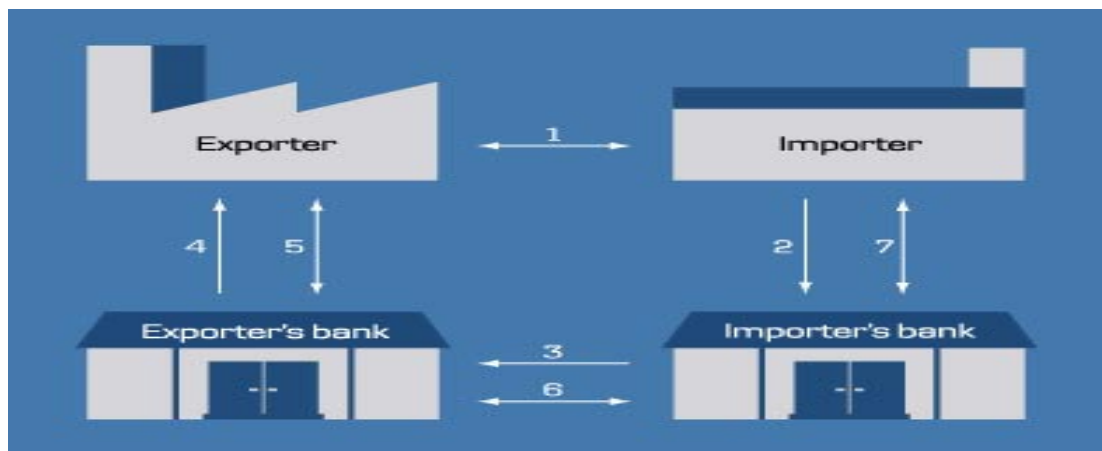
- ☒ Sight credit.
- ☒ Acceptance credit.
- ☒ Cash credit.
- ☒ Deferred payment credit.

**Documentary letter of credit:**

The documentary Letter of Credit is an arrangement whereby bank (Issuing Bank) acting at the request of customer (Applicant of the Letter Credit):

- ☒ To make payment to or to the order of other person (the beneficiary) or to pay accept or negotiate Bill of Exchange (Drafts) drawn by the beneficiary.
- ☒ Authorizes such payment to be made or such drafts to be paid, accepted or negotiated by another bank against stipulated documents, provided the terms & conditions of the Letter of Credit are complied with.

**Procedure of documentary credit:**



**Figure 05: Procedure of Documentary Credit**

## Details of the Diagram:

- ✘ The buyer & the seller conclude a sales contract providing for payment by documentary credit.
- ✘ The buyer instructs his/her bank i.e. issuing bank to issue a credit in favor of the seller i.e. beneficiary.
- ✘ The issuing bank asks another bank, usually in the country of the seller, to advise or confirm the credit.
- ✘ The advising or confirming bank informs the seller that the credit has been issued.
- ✘ As early as possible the seller receives the credit & is satisfied that he/she can meet its terms & conditions, he/she is in a position to load the goods and dispatch them.
- ✘ The seller then sends the documents evidencing the shipment to the bank where the credit is available in bank. This may be the issuing bank, or the confirming bank, or any bank named in the credit as the paying, accepting or negotiation bank, or it may be the advising bank or any bank willing to negotiate under the credit.
- ✘ The bank checks the documents against the credit. If the document needs the requirement of the credit, the bank will pay, accept, or negotiate according to the terms of the credit. In case of a credit available by negotiation, the issuing bank or the confirming bank will negotiate without recourse
- ✘ The bank if other than the issuing bank sends the documents to the issuing bank.
- ✘ The issuing bank checks the documents and if they meet the credit requirements either.
- ✘ Effects payment in accordance with the terms of the credit, either to the seller if he/she has sent the documents directly to the issuing bank or to the bank that has made funds available to him in anticipation.
- ✘ Reimburses in the pre-agreed manner the confirming bank or any bank that has paid, accepted or negotiated under the credit.
- ✘ When the documents have been checked by the issuing bank and found to meet the credit requirements, they are released to the buyer upon payment of the amount due, or upon other terms agreed between him/her and the issuing bank.
- ✘ The buyer sends the transport document to the carrier who will then proceed to deliver the goods.

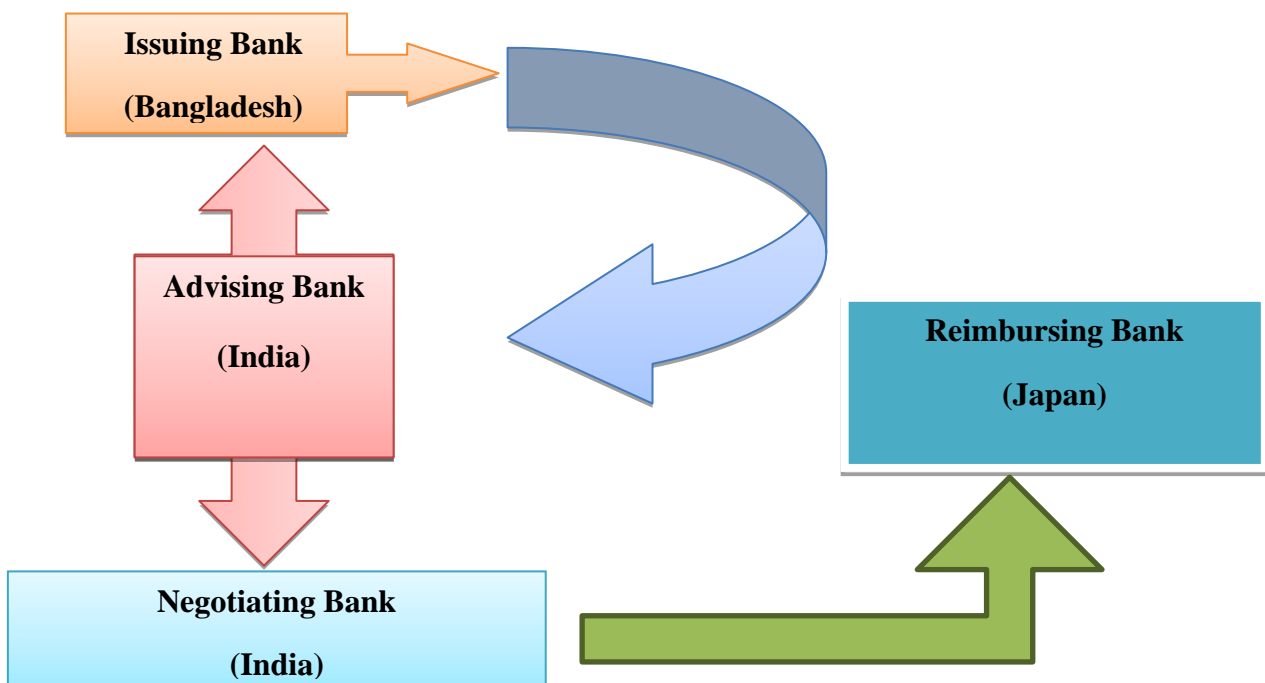
## CHAPTER-05

### LETTER OF CREDIT (L/C)

Letter of Credit is an undertaking by a banker of the importer to the exporter, to the effect that the amount of the L/C will be duly paid. The banker on behalf of the importer issues the L/C in favor of the exporter (Beneficiary) and forwards the same to the exporter to the effect that bill drawn by him shall be duly accepted and paid. It creates confidence in the mind of the exporter so far as payment of the bill is concerned. It also facilitates the exporter to get the benefit of discounting the bill before the date of maturity.

#### 5.1 PARTIES OF LETTER OF CREDIT TRANSACTION

- ✦ **Issuing Bank:** It is the buyer's Bank. The bank that agrees to the request of the applicant and issues its letter of credit in terms of instruction of the applicant.
- ✦ **Advising Bank:** It is the seller's or beneficiary's Bank. The bank usually situated in the seller's or beneficiary's country (Most of the time with which they exist corresponding relationship with the buyers or issuing bank), request to advise the credit to the beneficiary.
- ✦ **Confirming Bank:** Sometimes issuing bank request advising bank or another bank to add confirmation to the letter of credit. When that bank do this then such bank is called confirming bank. So advising bank can act as confirming bank.



- ✦ **Reimbursing Bank:** This is the bank that is nominated by the issuing bank to pay (it is also known as paying bank) or to accept drafts. It can be situated in another country. In this connection it is to say that American Express Bank & Nat West Bank act as reimbursing bank in case of National Bank Limited. The account, which maintains National Bank Limited with Nat West Bank & American Express Bank, is called “Nostro Account” and in rivers the account, which is maintained by Nat West Bank & American Express Bank with National Bank Limited, is called “Vostro Account”.
- ✦ **Negotiating Bank:** The bank which makes payment to the exporter after scrutiny, the documents submitted by the exporter which the original letter of credit then it is called Negotiating Bank.
- ✦ **Nominated Bank:** The bank that is nominated by the issuing bank to pay (nominated bank is known as paying bank) or to negotiate (nominated bank is known as negotiating bank). Usually the advising bank is request and authorized to be the nominated bank unless the credit allows negotiation by any bank.
- ✦ **Seller:** Beneficiary of the letter of credit is seller.

## 5.2 BASIC FORMS OF DOCUMENTARY LETTER OF CREDIT

The letter of credit can be either revocable or irrevocable. It need to be clearly indicated whether the letter of credit revocable or irrevocable. When there is no indication then the letter of credit will be deemed to be a revocable L.C. The details are as follows:

- ✦ **Revocable Letter of credit:** Revocable credit is one, which can be amended or cancelled by the issuing bank. At any movement without “prior notice” to the beneficiary. So this is clear that revocable credit can be revoked any time without prior notice.
- ✦ **Irrevocable Letter of Credit:** An irrevocable credit is one, which cannot be cancelled or amendment able any time without the consent of each party. Though this letter of credit the issuing bank gives a definite, absolute and irrevocable undertaking to honor its obligations, provided the beneficiary complies with all the terms and conditions of the credit.
- ✦ **Government Letter of Credit:** The letter of credits, which are done by the Defense Ministry and other Ministries of the government.
- ✦ **Master or Mother Letter of Credit:** The L.C. which come from outside the country the exporter from importer that is mother or master letter of credit.

### Other Classes of Letter of Credit:

- ✘ **Revolving Letter of Credit:** When the L.C. is used again and again in same amount for a specific period of time that is called revolving letter of credit.
- ✘ **Transferable Letter of Credit:** Exporter can transfer his/her right of letter of credit in full or partly to a third party. In generally, the exporter is not supplier but act as a middleman with in the supplier and importer.
- ✘ **Back-to-Back Letter of credit:**To the letter of credit, which done by the security of mother letter of credit.
- ✘ **Clean or Open Letter of Credit:** The letter of credit, which provides assurance of payment bill of exchange without submission, of any export documents that is called clean letter of credit.
- ✘ **Confirmed Letter of Credit:** When the irrevocable letter of credit issued by issuing bank to the exporter and assurance of the L.C., then as pre-advice or documents the authorized representative or representative banks provide assurance or payments guarantee that is confirmed letter of credit.
- ✘ **At Sight Letter of Credit:** That letter of credit which expires ninety days i.e. within this period the documents must be sending to the negotiation bank.
- ✘ **Deferred Payment Letter of Credit:** The letter of credit which expires one hundred eighty days i.e. this period the document must be send to the negotiating bank.

### 5.3 CLASSIFICATION OF LETTER OF CREDIT AS PER FUNCTION

- ✘ LC under cash.
- ✘ LC under loan.
- ✘ LC under grant.
- ✘ LC under wage.
- ✘ Back to Back LC.

## 5.4 STEPS IN LETTER OF CREDIT OPENING

On receiving the document or papers from the importer the letter of credit opening bank is to perform the following function in connection with opening the letter of credit:

- i. To scrutinize the document thoroughly and to consult with import policy, Bangladesh Bank and International Division's circular.
- ii. To prepare and "offering sheet". This offering sheet is nothing but a prescribed office note on which the branch manager will sanction the margin to be obtained from the importer.
- iii. Commission of letter of credit to be calculated as 50% of the total amount equivalent to Bangladesh currency.
- iv. P&T charges to be realize for taka 100 (fixed charge) if the letter of credit dispatched through Airmail. If it is a cable or telex letter of credit the P&T charges to be realized at actual.
- v. Foreign correspondents adjusting charges (FCC) to be realized TK.1500 (fixed amount).
- vi. To make entry in "letter of credit opening register".
- vii. To dispatch the letter of credit as follows:
  - First and second copy – Advising Bank, which in turn forward the original copy of the exporter.
  - Third copy – Reimbursing Bank.
  - Fourth & Fifth copy – Importer.
  - Sixth copy – C.C.I. & E.
  - Seventh to Ninth copy – Letter of credit opening bank's copy.

## 5.5 REQUIRED DOCUMENTS FOR LETTER OF CREDIT OPENING

- ✘ Proposal letter (in proposal letter it must be mentioned that – price of goods, CCI & E registration, pass book number, LCA from dally filled in singed & sealed , Import from set, insurance policy & addendum, P.I. number).
- ✘ Application and agreement for irrevocable LC with adhesive stamp of TK.150.
- ✘ Import license.
- ✘ HS. Code.
- ✘ TIN.
- ✘ VAT registration.
- ✘ Indenting certificate.
- ✘ Performa invoice – two copies (with in this it indicate – Performa bill no. & date, item, particulars, quality, rate, and amount of goods, total invoice value (E & O.E.)
- ✘ LAC (letter of Credit Authorization) from for industrial consumer – four copies. (within this – IRC number, total amount)
- ✘ Signature of Director of the firm and manager of National Bank Limited.
- ✘ IMP from -four copies (by this the declaration of the firms director)
- ✘ Money receipts of insurance policy.
- ✘ After preparing the procedure the bank provide offer in prescribed “offering sheet”.
- ✘ Approval certificate of Bangladesh Bank on behalf of the importer.

## 5.6 PARTICULARS INVOLVED IN OFFERING SHEE

- ✘ Name of the party, Sanctioned limit, Facility applied for letter of credit(amount & previous outstanding)
- ✘ Forward exchange.
- ✘ Foreign bills purchased.
- ✘ Guarantees.
- ✘ Trust receipts.
- ✘ Clean packing credits.
- ✘ Advance against imported goods.
- ✘ Goods particulars.
- ✘ Import license.
- ✘ Margin already at credit.



- ✘ Margin to be obtained.
- ✘ Balance of current account.
- ✘ Average Balance of bank account.
- ✘ Customs duty.
- ✘ Country of export.
- ✘ Other conditions.

## 5.7 JUSTIFICATION FOR FITNESS OF LETTER OF CREDIT OPENING

- ✘ Application from importer.
- ✘ Bio-data of the applicant.
- ✘ Current account opened by the applicant in the branch.
- ✘ Supplier's acceptance & rate of goods.
- ✘ Is it a brand item or not?
- ✘ Contract on prescribed form of bank (Stamp TK. 150).
- ✘ Performa invoice from supplier.

## 5.8 METHOD OF SETTLEMENT

Based on the method of settlement the documentary letters of credit can be opened in two ways;

- ✘ **Sight Letter of Credit:** A sight letter of credit is a credit which the seller obtains payment upon presentation of documents in compliance with the terms and condition.
- ✘ **Deferred Letter of Credit:** A deferred letter of credit is a credit in which the seller will be paid a fixed or determinable future time. The buyer is obligated to pay the face amount at maturity.

## 5.9 OPERATION OF DOCUMENTARY LETTER OF CREDIT

The following five (5) major steps are involved in the operation of documentary letter of credit

- ✘ Issuing,
- ✘ Advising,
- ✘ Amendment (if necessary)
- ✘ Presentation,
- ✘ Settlement.

## ISSUING A LETTER OF CREDIT

Before issuing a L/C, the buyer and seller located in different countries, concludes a “sales contract” providing for payment by documentary credit. As pre requirement of the seller, the buyer then instruct the bank- the issuing bank- to issue a credit in favor of the seller (beneficiary). The credit application which contains the full details of the proposed credit, also serve as an agreement between the bank and buyer. After being convinced about the “necessary conditions” contained in the application from and “sufficient conditions” to be full filled by a buyer for opening a credit, the opening bank then precedes for opening the credit to be addressed to the beneficiary.

## ADVISING LETTER OF CREDIT

Advising through a bank is prior of apparent of the credit to the seller. The process of advising a credit consists of forwarding the original credit to the beneficiary to whom it is addressed. Before forwarding the advising bank has to verify the signature(s) of the officer(s) of the opening bank and ensure that the terms & condition of the credit are not violation of exiting exchange control regulation and other regulation relating to export.

## AMENDMENT OF L/C

An amendment to L/C means to make a change to the terms of the credit. After opening a L/C either beneficiary or applicant sometimes observes that the terms and conditions laid down in the credit are not complete to serve their purpose. They need some changes or alteration to the credit to make it workable. This is done by the way of issuance of amendment to the L/C.

- **Time Extension:** The time duration of L/C can be extended by writing an application by the opener of L/C and signature of the opener should be verified provided the LCA is valid or the agreement is valid up to the period.
- **Change in L/C Amount:** Increase of L/C amount may be done provided that the LCA covers the increase in amount. L/C decreased provided the relevant contract or indent is amended accordingly and with the consent of beneficiary for increasing the amount of L/C the following accounting procedure will be passed:
  - Debit:** Acceptance for constituent liability
  - Credit:** Constituent liability for acceptance

## **PRESENTATION OF DOCUMENTS**

The seller being satisfied with the terms and conditions of the credit proceeds to dispatch the required goods to the buyer and after that, has to present the documents evidencing dispatching of goods to the negotiating bank on or before the stipulated expiry date of the credit. After receiving all documents, the negotiating bank then checks the documents against the credit. If the documents are found in order, the bank will pay, accept or negotiate to the issuing bank. This issuing bank also checks the documents and if they are found as per credit requirements, either

- Effect payment or
- Reimburses in the pre-agreed manner.

### **Settlement of L/C**

Settlement means fulfilling the commitment of issuing bank in regard to effect payment subject to satisfying the credit terms fully.

#### **1. Settlement of Payment**

#### **2. Settlement of Acceptance**

#### **3. Settlement of Negotiation**

### **Settlement of Payment**

Here the seller presents the doc to the paying bank. In compliance presentation paying bank makes payment to the beneficiary and in case this bank is other than the issuing bank, then sends the doc to the issuing bank. If the issuing bank is satisfied with the requirements, payment is obtained by the paying bank from the issuing bank.

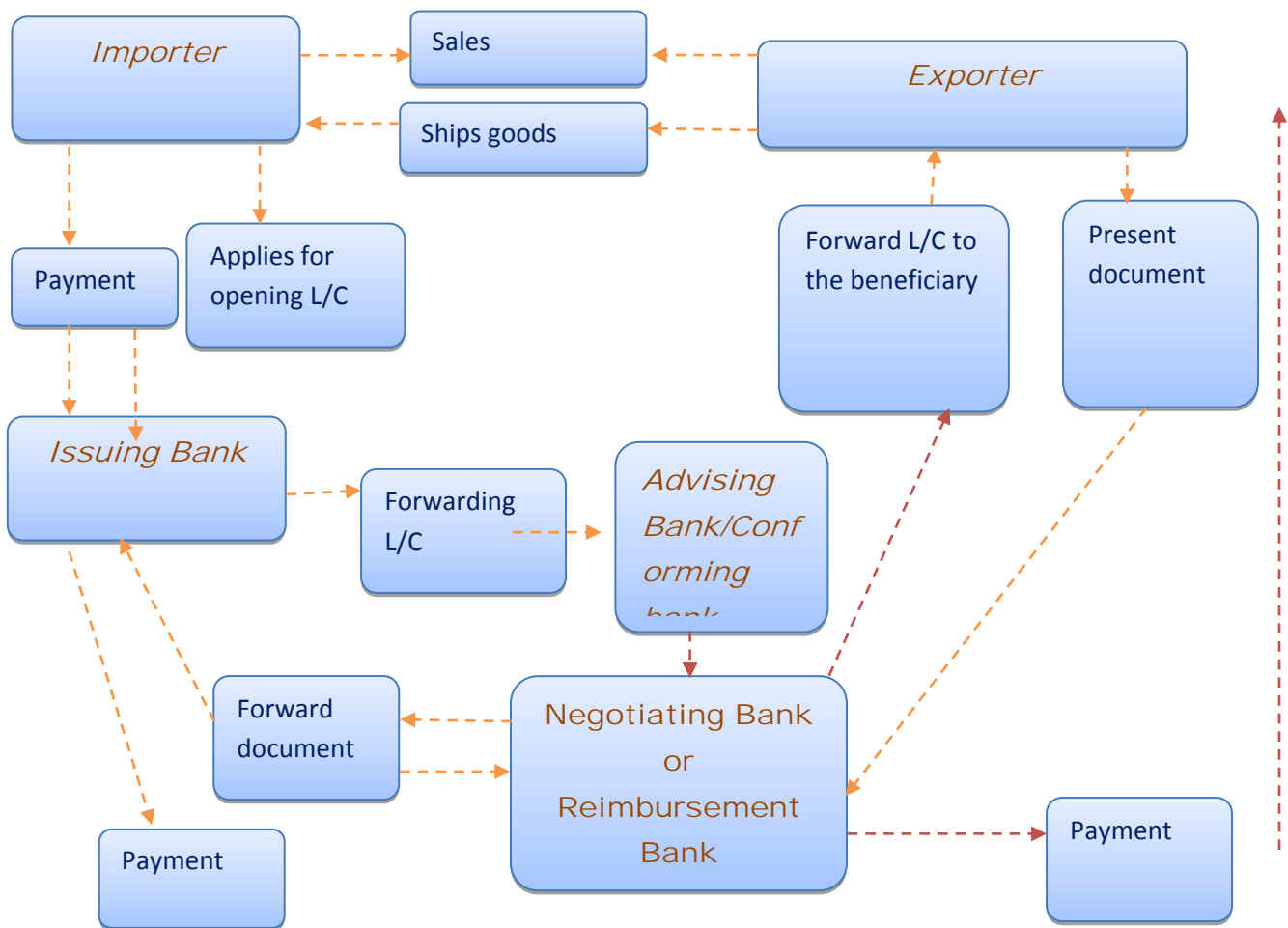
### **Settlement of Acceptance**

Under this arrangement, seller submits the documents evidencing the shipment to the accepting bank accompanied by the draft drawn on the bank (where credit is available) at the specified tenor. After being satisfied with the documents, the bank accepts the docs and draft if it is a bank other than the issuing bank, then sends the docs to the issuing bank stating that it has accepted the draft and at maturity the reimbursement will be obtained in the pre-agreed manner.

## Settlement of Negotiation

This settlement procedure starts with the submission of docs by the seller to the negotiating bank accompanied by the draft drawn on the drawee at sight or at a tenor, as specified in the credit. After scrutinizing that the docs meet the credit requirements, the bank may negotiate the draft. This bank, if other than the issuing bank, then sends the docs and the draft to the issuing bank. As usual, reimbursement will be obtained in the pre-agreed manner.

### 5.10 HOW TO LETTER OF CREDIT WORK



**Figure 05: The Processing of Letter of Credit**

## 5.11 PRESENTING A LETTER OF CREDIT

Once a letter of credit has been received, it needs to present to the bank for payment along with other documents which may include:

- ❑ Commercial Invoice.
- ❑ Consular Invoice.
- ❑ Insurance Documents.
- ❑ Bill of lading.
- ❑ Certificate of origin.
- ❑ Packing List.
- ❑ Inspection Certificates.
- ❑ Import Permits.

The bank will not pay if there are discrepancies and the documentation is not in order.

## 5.12 COMMON MISTAKES MADE WITH LETTER OF CREDIT

Exporters make the following common mistakes, which cause them to lose the sale or not get paid.

- ❑ Presenting documents late, after the letter of credit has expired.
- ❑ Shipping their goods after the specified date.
- ❑ Making a partial shipment when partial shipment is not allowed.
- ❑ Not presenting the proper documents.
- ❑ Not legalizing the documents.
- ❑ Not obtaining required insurance.
- ❑ Submitting copies instead of originals.
- ❑ Spelling mistakes.
- ❑ Mathematical mistakes.

## CHAPTER-06

# IMPORT

### 6.1 MEANING OF IMPORT

A good or service brought into one country from another country in a fair and acceptable fashion, typically for use in trade. Imported Goods or services introduce domestic consumers to newer things by foreign producers.

Companies usually import goods and services to supply to the domestic market at a cheaper price and provide goods that are superior compared to goods manufactured in the domestic market.

### 6.2 WHO IS AN IMPORTER?

The person who deals in import business obtaining import Registration Certificate (IRC) in terms of importers, exporters and indenters (Registration) order – 1981 from the CCI&E submitting the following papers is treated as importer.

- i. Valid Trade License.
- ii. National ID card.
- iii. Asset Certificate.
- iv. VAT Registration Certificate.
- v. Bank Solvency Certificate.
- vi. Trade Association Certificate.
- vii. Certificate of Incorporation.
- viii. Memorandum & Articles of Association.

### 6.3 TYPES OF IMPORT

There are two types of import-

- a. Commercial Import.
- b. Industrial Import.

**Commercial Import:** Importer does commercial import only for trading purpose. These products are finished goods. Such as; rice, wheat, soybean oil etc.

**Industrial Import:** Importer does industrial import for industrial use only. These products are raw materials and capital machinery. Such as; raw cotton, crude oil etc.

#### 6.4 NAME OF SOME IMPORTERS

Name	Name
Everwin Chemicals Ltd	Fujita Corporation
M/S Nourish Poultry & Hatchery Ltd	Imperial Dye Cam Company Ltd.
Nourish Grand Parents Ltd	Saka International
Tokeo Enterprise	M/S The IbnSina Trust
SatataShomvar	Samin Enterprise
A.J Enterprise	M.H. Enterprise
M/S UniqMarbel&Grnite Ltd.	Tausif International
K.N Enterprise	Tokeo Enterprise
Al Amin Agency	M/S A.H Corporation

**Table 05:** Name of Some Importers (Source: Elephant Road Branch)

#### 6.5 NAME OF SOME IMPORTED ITEMS

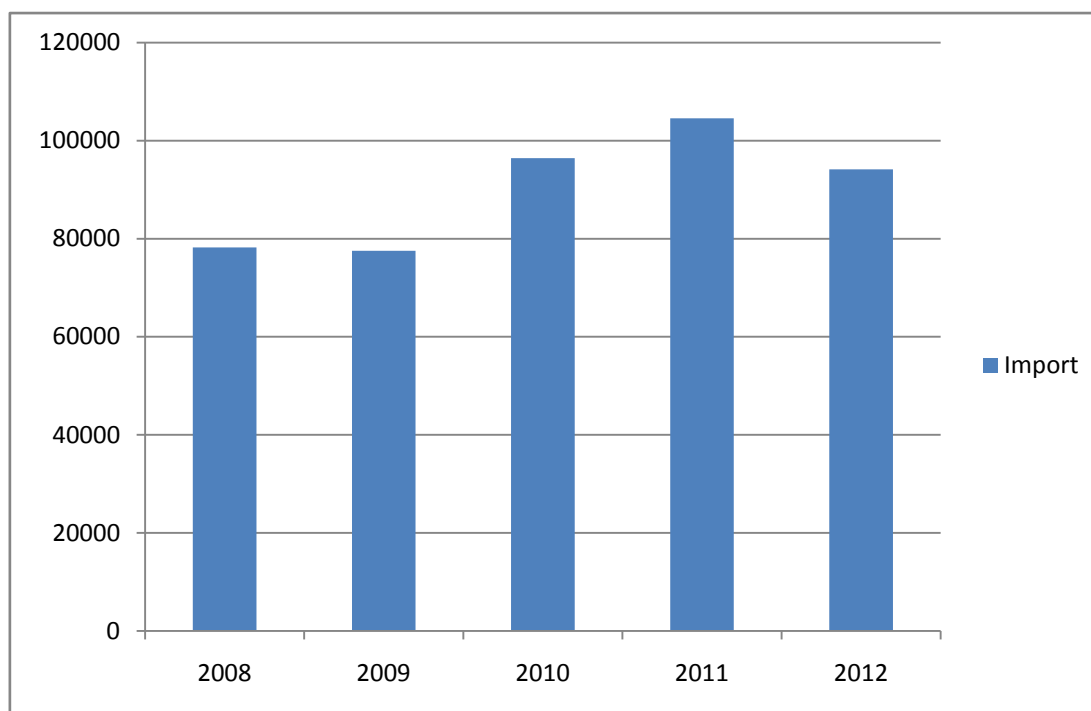
Name	Name
Rice	Drugs & Medicine
Wheat	Coals
Sugar	Cements
Milk Food	Scrape vessel
Refined Oil	Paper
Crude Oil	Raw cotton
Dry Fruits	Textile Fabrics
Pulses	Chemical products
Onions	Capital Machinery
Ginger	Others Machinery
Motor Vehicles	Computer & accessories

**Table 06:** Name of Some Imported items (Source: Elephant Road Branch)

## 6.6 LAST 5 YEARS IMPORT BUSINESS OF NBL

Year	2008	2009	2010	2011	2012
Import (TK In Millions)	78226.32	77539.77	96442.57	104570.90	94137.40

**Table 07:** Years Import Business of NBL (source: NBL Annual Report 2012, page: 47)



**Figure 06:** Trend Line for Import

**Analysis:** Import trade finance of NBL has been decreased to TK. 94137.40 million in the year 2012 compared to TK.104570.90 million in the year 2011. The decrease in TK. is by 0.89%. The main commodities were scrap vessels, rice, wheat, edible oil, capital machinery, petroleum products, Fabrics and other consumer items.



## 6.7 GOODS ARE NOT IMPORTABLE

The following types of goods are not importable-

- ❑ Books, Newspaper, periodicals, documents and other papers, posters photographs, films, gramophone records, audio and video cassette tapes etc. containing matters likely to outrage the religious feeling and beliefs of any class of the citizen of Bangladesh.
- ❑ Unless otherwise specified in this order, old, second-hand and recondition goods, factory reject and goods of job-lot or stock-lot of secondary or substandard quality.
- ❑ Maps, chart and geographical globes which indicate the territory of Bangladesh but do not do so in accordance with the maps published by the department of survey, Government of the people's republic of Bangladesh.
- ❑ Horror comics, obscene and subversive literature including such pamphlets, posters, newspaper, periodicals, photographs, films, gramophone records audio and video cassette tapes etc.
- ❑ Reconditioned office equipment, photocopier, type writer machine, telex, phone, computer and fax.
- ❑ Unless or otherwise specified in this order, all kinds of waste.
- ❑ Goods bearing words or inscriptions of a religious connotation the use or disposal of which may injure the religious feeling and beliefs of any class of the citizen of Bangladesh.
- ❑ Goods bearing any obscene picture, writing inscription or visible representation.

## CHAPTER-07

# EXPORT

### 7.1 MEANING OF EXPORT

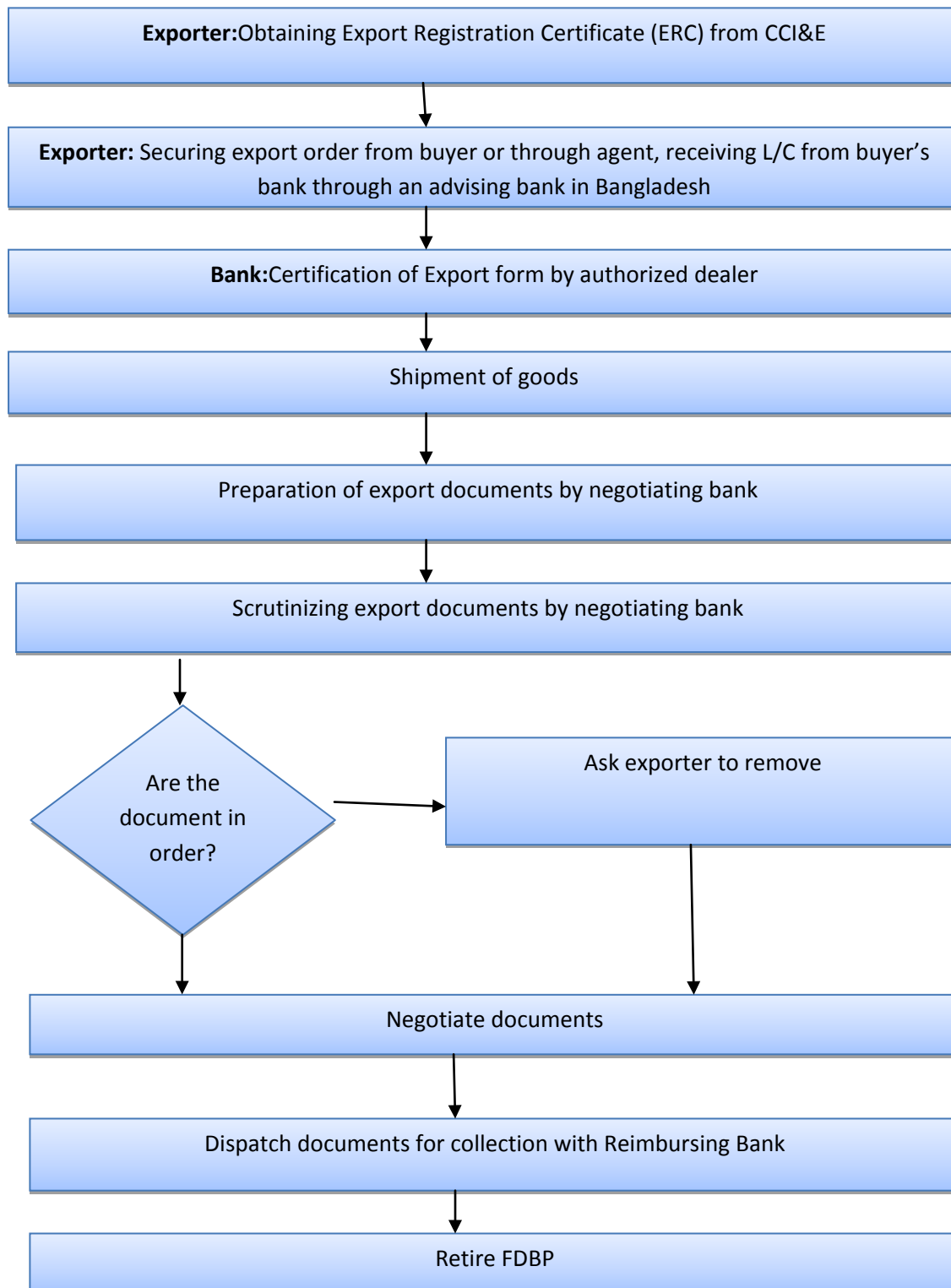
Export means lawfully carrying out of anything from one country to another country. It is the process of selling goods and services to the other countries. That means, Export means flow of goods and services produced within Bangladesh but purchased by economic agent (individuals, firms & government) of other countries. Creation of wealth in any country depends on the expansion of production and increasing participation in international trade. Bangladesh exports a large quantity of goods and services to foreign households. Readymade textile garments, Jute, Jute-made products, frozen shrimps, tea are the main goods that Bangladeshi exporters export to foreign countries. Garments sector is the largest sector that exports the lion share of the country's export. Bangladesh exports most of its readymade garments products to U.S.A and European Community (EC) countries.

Export L/C operation is just reverse of the import L/C operation. For exporting goods by the local exporter, bank may act as advising banks and collecting bank (negotiable bank) for the exporter. Export policies formulated by the Ministry of Commerce.

No person can export anything from Bangladesh, unless he is registered with the CCI & E, under the Registration order (Importer & Exporter) 1952. To become an Exporter an ERC (Exchange Registration Certificate) have to be obtained from CCI& E.

### 7.2 EXPORT PROCEDURE

The import and export trade in our country are regulated by the Import and Export (Control) Act, 1950. Under the export policy of Bangladesh no person can export anything from Bangladesh unless he gets valid Export registration Certificate (ERC) from Chief Controller of Import & Export (CCI&E). The ERC is required to renew every year. The ERC number is to incorporate on EXP forms and other papers connected with exports. So to serve its client's demand to export goods, NBL always maintains required formalities that are collectively termed as the Export Procedure.



**Figure 07: Export procedure at a glance**

### 7.3 NAME OF SOME EXPORTERS

Name
M/S Versatile Apparel Limited
M/S Jakir Composite Miles Limited
M/S Sarah Composite Miles
M/S Nice & Rich Creation

**Table 08:** Name of Some Exporters (Source: Elephant Road Branch)

### 7.4 NAME OF SOME EXPORTED ITEMS

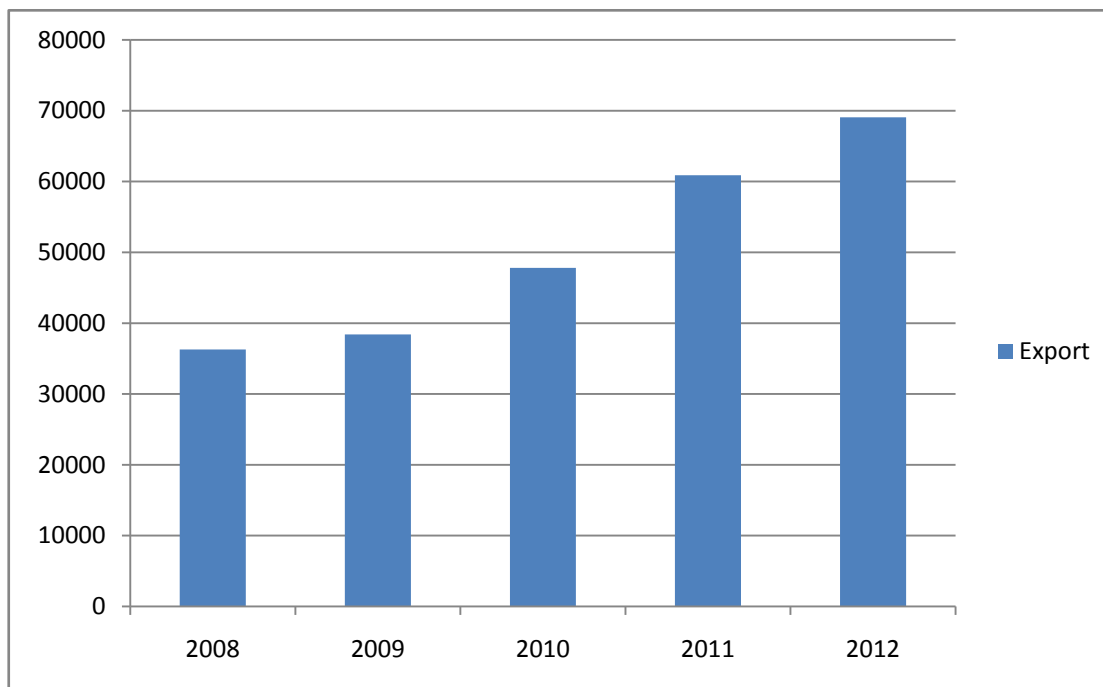
Name of commodity
Jute goods
Chemical
Tea
Leather
Fish and shrimp
News print
Fertilizer

**Table 09:** Name of Some Exported items (Source: Elephant Road Branch)

## 7.5 LAST 5 YEARS EXPORT BUSINESS OF NBL

Year	2008	2009	2010	2011	2012
Export (TK In millions)	36284.44	38398.85	47812.47	60893.90	69062.9

**Table 10:** 5 Years Export Business of NBL (source: NBL Annual Report 2012, page: 47)



**Figure 08:** Trend Line for Export

**Analysis:** The bank has been nurturing the export finance with special emphasis since its inception. In 2012 it handled 23763 export documents valuing USD 850.00 million with a growth of 2.60% over the last year. Export finances were made mainly to readymade garments, knitwear, frozen food and fish, tanned leather, handicraft, tea etc.

## CHAPTER-08

# FOREIGN REMITTAANCE OF NBL

### 8.1 MEANING OF REMITTAANCE

The word “Remittance” originates from the word “remit” which means to transmit fund. In banking terminology, the word remittance means “transfer of fund one place to another”. When money transferred from one country to another is called “Foreign Remittance”. That means foreign remittance is the transfer of foreign currency from one country to another country.

### 8.2 TYPES OF ACCOUNT FOR FOREIGN REMITTAANCE

#### ▣ NOSTRO A/C

When a Bank maintains a Foreign Currency account with a foreign Bank abroad the account is called NOSTRO account. NOSTRO account means “our Account with you”.

#### Example:

If National Bank Limited maintains a US Dollar account with American Express Bank, New York, then it is a NOSTRO account of NBL.

#### ▣ VOSTRO A/C

When foreign bank maintains a convertible taka account with a Bangladeshi bank or with its branch in Bangladesh, the taka account is called VOSTRO account. VOSTRO account means “your account with us”.

#### Example:

If American Express Bank and New York maintains taka account with the help of NBL then that taka account is a VOSTRO account for NBL.

What is the Nostro account for a bank in a particular country is a Vostro account for the bank abroad maintaining the account thus the account of NBL with Standard Chartered Bank, New York, regarded as its Nostro account held with Standard Chartered Bank, New York. While Standard Chartered Bank, New York, regards it as its Vostro account held for NBL.

### ❏ LORO A/C

When two Banks maintain two NOSTRO accounts with a same foreign Bank in abroad, then one Bank's NOSTRO account is Loro account for another Bank. Loro account means "their account with you". Account maintained by third party is known as Loro account

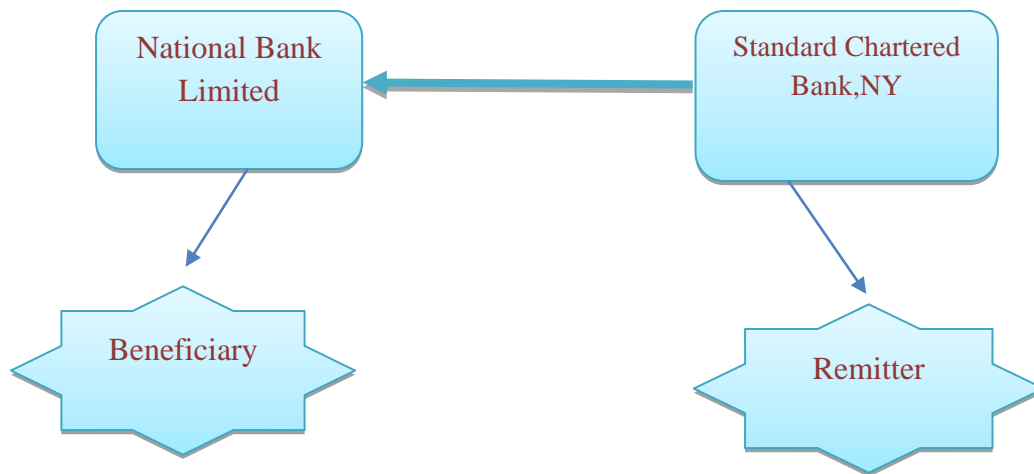
#### Example:

NBL & Agrani Bank both maintains a NOSTRO account No 1 & 2 respectively with American Express Bank New York. Then NOSTRO account 1 & 2 are LORO account for each other.

## 8.3 PROCESS OF FOREIGN REMITTANCE

Fund transfer from one country to another country goes through a process which is known as remitting process. National Bank Limited has 175 domestic branches. The bank has "Nostro Account" with a foreign bank Standard Chartered Bank, New York. Bangladeshi expatriates are sending foreign remittances to their local beneficiary, through that account.

- ❏ Now, the Bangladeshi expatriates will contact with Standard Chartered Bank to remit fund to Bangladesh.
- ❏ Then Standard Chartered Bank will credit the "NOSTRO A/C" of NBL and send the message through SWIFT.
- ❏ Next the local bank's Head Office international division will receive telex message and the TFMD 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 foreign Bank has no "NOSTRO A/C" in which country where the expatriates want to remit fund. Then the Foreign Bank has to take help of a third bank who has "NOSTRO A/C" with intended Bank.



#### 8.4 BANKS WITH NOSTRO ACCOUNT

In order to meet the customer needs for International Trade, the Bank has developed a wide network with more than 580 Banks all over the world. Some Banks with NOSTRO A/C are:

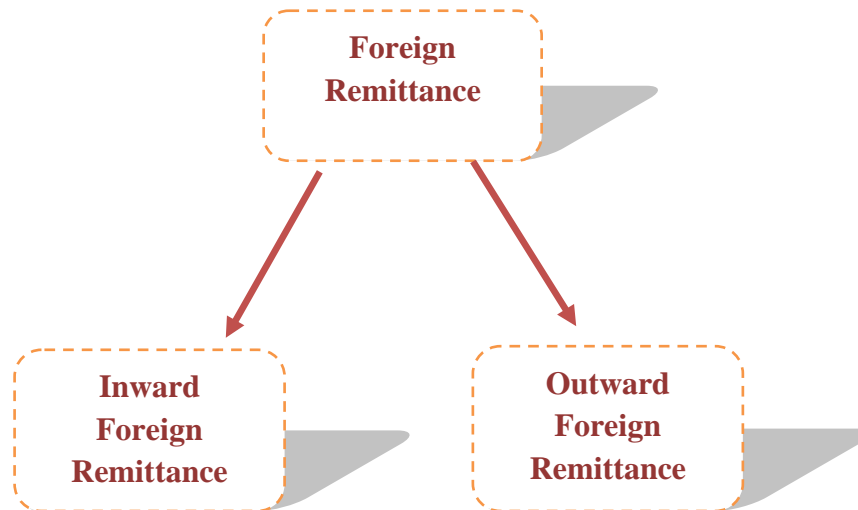
- ✘ Standard Chartered Bank, New York, USA.
- ✘ Mashreq Bank PSC, New York, USA.
- ✘ ICICI Bank Limited, Hongkong.
- ✘ Commerz Bank, AG
- ✘ Habib Bank, AG Zurich.
- ✘ Korea Exchange Bank Limited.
- ✘ Sonali Bank UK(USD).
- ✘ UBAF, Singapur.



## 8.5 TYPES OF FOREIGN REMITTANCE

Foreign remittance is two types:

- Inward Foreign Remittance.
- Outward Foreign Remittance.



## 8.6 INWARD FOREIGN REMITTANCE

Inward Foreign Remittance means Remittance received from foreign countries from abroad. To the bankers or ADs inward remittance means purchase of foreign currency by authorized dealers. In other words remittance coming into our country from other countries by the remitter by way of permissible banking channel is called 'Inward Foreign Remittance' i.e. beneficiaries point of view it is inward foreign remittance. On the other hand remitter's point of view it is called outward Foreign Remittance.

### Ways of Inward Foreign Remittance:

- ☒ Spot Cash.
- ☒ FTT
- ☒ FDD
- ☒ TC

### **Spot cash:**

- ✘ Only from Foreign Exchange House Spot Cash can be send to Bank.
- ✘ No need to have account receiver.
- ✘ Photocopy of NID or student ID and PIN code are must for receiving money.
- ✘ Service charge is gained by Bank.

### **FTT:**

- ✘ From Bank remitter can send fund to beneficiary.
- ✘ Here account is must for beneficiary. Because fund is credited to beneficiary's account.
- ✘ Then beneficiary can withdraw money as his/her necessity.
- ✘ Here the Foreign Bank credit the NOSTRO account of NBL.
- ✘ In case of outward remittance it is vice versa.

### **FDD:**

- ✘ It is instrument.
- ✘ Here instrument is given to the concern Bank from which it is taken.
- ✘ Here purpose may be many such as, payment to anybody, for Business issue, may be travelling etc.
- ✘ It is collection basis that means Banks normally takes 3 to 4 days for payment.
- ✘ After giving payment NOSTRO account is debited.
- ✘ In case of NBL there must have two officers signature in this instrument.
- ✘ In case of outward remittance it is vice versa.

### **TC:**

- ✘ It is an instrument.
- ✘ Here the format of intermediary Bank is used.
- ✘ Normally American Express Travelers Cheque or Standard chartered TC is used.
- ✘ That means here standard format is used.
- ✘ It is on cash basis. That means after taking the TC the fund is readily available.
- ✘ In case of outward remittance it is vice versa.

## 8.7 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 remitter has to deposit money along with the application contains name and address of the payee name of the currency etc. All outward remittances must cover the transactions approved by the Bangladesh Bank. 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.

### **Purposes of Outward Remittance:**

1. Travel
2. Medical treatment
3. Educational purpose.
4. Attending seminar etc.

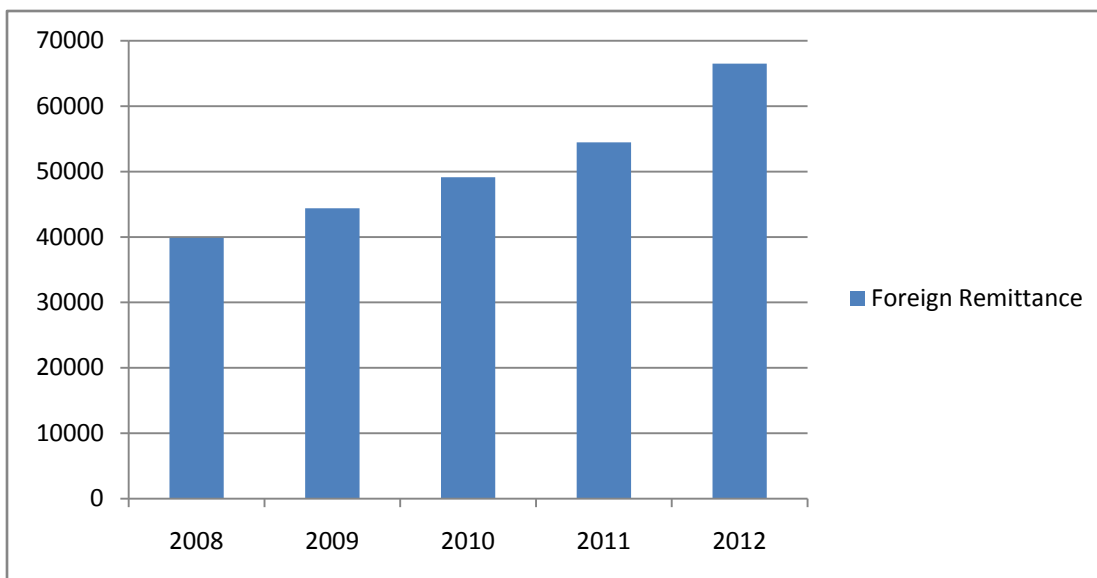
### **Ways of outward Foreign Remittance:**

- ✘ FDD
- ✘ FTT
- ✘ TC

## 8.8 LAST 5 YEARS FOREIGN REMITTANCE OF NBL

Year	2008	2009	2010	2011	2012
<b>Foreign Remittance (TK. In millions)</b>	39877.80	44381.50	49145.30	54469.40	66513.90

**Table 11:** 5 Years foreign remittance of NBL (Source: NBL annual report 2012, page: 47)



**Figure 09: Trend Line for Foreign Remittance**

**Analysis:**In 2012, foreign remittance brought into the country through NBL was USD 645.97 million showing an increase of USD 63.50 million over the previous year. This growth was possible due to introduction of different instant payment products and technology including extending SWIFT, online, EFT etc. and further efforts are being made for more speedy payments.

## CHAPTER-09

# FINDINGS AND ANALYSIS

### 9.1 MAJOR FINDINGS

The L/C Processing in NBL is satisfactory but has some problems. There have also some problems in other sectors. The presentation of data can be summarized as of the following findings:

- ✘ Internet Banking has been introduced. But most of the time the server is unavailable.
- ✘ Profit rate is low. So to somebody it is unattractive.
- ✘ In case of import and export financing it takes long time to sanction the fund.
- ✘ NBL banks have their own websites which acts as an information center and promotional tool for the banks.
- ✘ NBL has own banking software.
- ✘ Lack of available information on banking product.
- ✘ Customers are often unaware about banking services.
- ✘ Lack of Manpower in foreign exchange department.
- ✘ NBL Elephant Road Branch has SWIFT facilities. Very few bank in our country offer this. By using this modern technology Elephant Road Branch, provide faster service.
- ✘ The monitoring system of the foreign exchange department of NBL is excellent. The chain of command is strictly maintained here. The executives now and then visit the department, which keeps all the officers alert about their duty.
- ✘ Government rules and regulation often make problem for import and export market in Bangladesh.
- ✘ The Foreign Exchange Department is very much Strong. Clauses they use in dealing with the foreign Bank in term of L/C opening and amendment of L/C, are very much eligible to the foreign Bank. It is giving a competitive advantage to the NBL. For this, businessmen like to deal their business with the NBL.

## 9.2 RECOMMENDATIONS

The following steps may be taken for the betterment of the company:

- ✚ Branch should intensify its quality of client service. Customer services must be made dynamic and prompt.
- ✚ Bank employ and train up more employees in foreign exchange department.
- ✚ Put more emphasis on Export business, the depository service and create more depository services.
- ✚ Technological Skills should be developed. NBL should establish its own networking system between its branches so that they can exchange their information faster and efficiently.
- ✚ National Bank Ltd. should train up their officers of all branches about all sort of information regarding SWIFT and its services.
- ✚ National Bank Ltd. should always monitor the performance of its competition in the field of Foreign Trade and General banking Service.
- ✚ NBL should locate their branches in the important places of the rural area so that most people will know about the Foreign Remittance Service of NBL.
- ✚ Government should remove barriers on foreign exchange businesses.
- ✚ The Bank should create such situation so that people put confidence on private bank for huge money transaction.
- ✚ NBL should sponsor seminar and symposium for the purpose increase awareness about the services of NBL.
- ✚ NBL should conduct strong Marketing Innovation activities to increase business in & outside Bangladesh.
- ✚ NBL should invest its fund in the profitable sector that will produce more profit for the owner of the account so that people will attract for NBL.
- ✚ Encourage and facilitate Imports of Industrial goods.

### 9.3 SUMMARY

In today's world of business without bank's co-operation, it is almost impossible to run any business or production unit of business. Commercial banks are one of the key contributors in the economy of developing countries. They act as financial intermediaries by performing the function of mobilizing funds from one group and lending the same to another while making a reasonable profit after meeting the cost of fund.

Export and import need finance in various stages of their activities. National Bank Limited is playing a vital role in financing import and exports of the country and helping the businesses by providing funds to run.

There are lots of local and foreign banks competing in banking industry in Bangladesh and the National Bank Limited is keeping its promises for about thirty years among them very successfully. It is a leading private commercial bank in Bangladesh with superior customer bases. After all, although it is facing some problem, it has a bright future and day-by-day. It is enhancing its financial activities over the country.

Before internship I had idea about banking but that was only bookish. Now after completing my internship period and preparing term paper on it I got practical aspect of banking. It will definitely help me to see the things from banking perspective also.

## 9.4 CONCLUSIONS

Though Bangladesh is a small country in nature but its import and export activities in the world is considerable. Every year Bangladesh exports a large volume of jute, tea, woven Garments, Knitwear, Frozen fish, Leather etc. and import raw materials for readymade garments, manure, accessories and different apparels.

In Bangladesh many banks are providing foreign exchange services in terms of letter of credit and foreign remittance and among them National Bank is one of the successful bank. Even in last year 2013 the whole world sank in the global commercial recession but the foreign exchange activities of NBL was quite steady through the year.

In 2012 National Bank limited forwarded total number of 24750 LCs amounting to US\$ 1141 Million in import trade with a growth of over the previous year. The main commodities were scrap vessels, rice, wheat petroleum products etc. and In export trade it handled total 23763 export LCs amounting to US\$ 850 million which was 13.42% higher over the previous year's records.

Besides the above activities NBL is showing its interest in foreign operation. NBL has own exchange house in Oman, Singapore, Malaysia, Myanmar and arrangement with different world leading exchange houses. Through which the foreign exchange operation and transfer of remittance have becomes ease. In the last four month the total inflow of foreign remittance is US\$ 2356 Lac which shows an envious performance of National Bank among its competitors.



## CHAPTER-10

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#### 10.2 WEBSITES

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- ✦ [www.foreignexchange.com](http://www.foreignexchange.com)
- ✦ [www.nblbd.com](http://www.nblbd.com)
- ✦ [www.mincom.gov.bd](http://www.mincom.gov.bd)
- ✦ <http://www.nblbd.com/branch.php>

## CHAPTER-11

### OTHERS

#### ACRONYMS

ABBREVIATION	ELABORATION
<b>NBL</b>	National Bank Limited
<b>FE</b>	Foreign Exchange
<b>CCI &amp; E</b>	Chief Controller Of Import &Export
<b>IRC</b>	Import Registration Certificate
<b>UCPDC</b>	Uniform Customs & Practices For Documentary Credit
<b>LCAF</b>	Letter Of Credit Authorization Letter
<b>ERC</b>	Export Registration Certificate
<b>A/C</b>	Account
<b>TFMD</b>	Treasury & Fund Management Department
<b>L/C</b>	Letter Of Credit
<b>SWIFT</b>	Society For Worldwide Inter Bank Financial Telecommunication
<b>TIN</b>	Tax Identification Number
<b>FTT</b>	Foreign Telegraphic Transfer
<b>FDD</b>	Foreign Demand Draft
<b>TC</b>	Travelers Cheque
<b>CSR</b>	Corporate Social Responsibility
<b>NID</b>	National Identification Number
<b>ID</b>	Identification Number
<b>ATM</b>	Automated Teller Machine
<b>PIN</b>	Personal Identification Number
<b>SMS</b>	Short Message Service
<b>I-BANKING</b>	Internet Banking

## APPENDIX AT NBL JOB PERIOD

Week	Description Of Work
1 <sup>st</sup> Week, February	Working at Dispatch (Inward mail, Outward mail, Hand delivery)
2 <sup>nd</sup> &3 <sup>rd</sup> Week, February	Working at Foreign Exchange Department (Import, Export and Remittance).
4 <sup>th</sup> Week, February	Working at cash department (opening of cash, receive and payment register)
5 <sup>th</sup> &6 <sup>th</sup> Week, March	Working at Local Remittance Section (issue and payment of PO, TT and DD).
7 <sup>th</sup> Week, March	Working at Investment Department (Approval & Sanction, Documentation, Disbursement and Recovery).
8 <sup>th</sup> Week, March	Working at Account Opening Section (S/B,C/D, Know your customer).
9 <sup>th</sup> Week, April	Working at Foreign Exchange Department (Import, Export, Remittance)
10 <sup>th</sup> Week, April	Information Collect From NBL For the Internship Report.