

“Risk Management Effectiveness in the City Bank Limited”



Internship report on
“Risk Management Effectiveness in the City Bank Limited”

Prepared For

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Declaration

This is to notify that this report title ” **Risk management Effectiveness in The City Bank Ltd.** ” has been prepared as a part of my internship formalities. It is an obligatory part of our MBA program to submit an internship report. Moreover, I was inspired and instructed by my supervisor Md. Zahidur Rahman, Bank Manager of CBL and other bank employees for submitting a report of this kind. In this regard, I like to mention that this report has not been prepared for any other purpose like presentation, reproduce or investigation for any other authorities.

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Subject: Submission of Internship Report.

Dear Madam,

I am pleased to submit hereby the Internship report of “**Risk Management Effectiveness in The City Bank Limited**” for your kind evaluation. To prepare this report, I have given my best effort that would enhance the project report.

This report attempts to describe my observations, learning during the internship tenure in Risk Management Department of The City Bank Ltd. I made sincere efforts to study related materials, documents, annual report and operational systems of CBL and examined relevant records for preparation of the Internship paper as comprehensive and informative as possible within the time allocated for me. There may be some mistakes for which I beg your apology.

I would be glad if you accept the term paper and despite the limitations and oblige thereby.

Sincerely yours,

Abrar Ahmad Farid

ID No.: 13164028

Batch: Summer 2016

Program: Masters of Business Administration

Major: Human Resource Management

BRAC Business School

BRAC University

Acknowledgement

The internship opportunity I had with The City Bank Ltd. was a great chance for learning and professional development. Therefore, I consider myself as a very lucky individual as I was provided with an opportunity to be a part of it. Bearing in mind previous I am using this opportunity to express my deepest gratitude and special thanks to Nusrat Hafiz of BRAC Business School for taking part in useful decision & giving necessary advices and guidance and arranged all facilities to make life easier for me. I choose this moment to acknowledge her contribution gratefully.

I express my deepest thanks to Mohammed Azizur Rahman Shuman, VP & Head of Risk Management of The City Bank Ltd. who in spite of being extraordinarily busy with his duties, took time out to hear, guide and keep me on the correct path and allowing me to carry out my project at their esteemed organization and extending during the internship tenure.

It is my radiant sentiment to place on record my best regards, deepest sense of gratitude to Farzana Hoque, AVP & Unit Head- Market Risk; Imtiaz H. Chowdhury, AVP & Unit Head Risk Capital Management; MukterHossain Khan, Associate Manager Risk Capital Management; Khandaker Aminul Islam, AVP & Unit Head Risk Audit/Risk Rating; Fareba Naz Shaule, Associate Manager Risk Audit/Risk Rating Unit and Khondker Ajwad Hossain, Risk Analyst for their careful and precious guidance which were extremely valuable for my study both theoretically and practically.

I perceive as this opportunity as a big milestone in my career development. I will strive to use gained skills and knowledge in the best possible way, and I will continue to work on their improvement, in order to attain desired career objectives. Hope to continue cooperation with all of you in the future.

Sincerely,

Abrar Ahmad Farid

Executive Summary

This internship report is prepared by me Abrar Ahmad Farid, a student of MBA Program in BRAC University, on Risk Management Effectiveness in The City Bank Limited. It is a qualitative report that focus on the overall risk practice compliance in the organization. It is a fact that Risk Management Department (RMD) is a fairly new unit which has been created to impose and comply with the Basel II accords. It is a mandatory requirement of Bangladesh Bank.

In my four months internship period I worked in this department and have come to know about the minute details of how this department works and what are the supporting bodies to it. My detail experience has been shared in this report including the different departments related to risk management, there functions, organizational framework and limitations.

Furthermore, this report focuses on the department I was in, i.e. Risk Management Department. Its functions the risks covered by this department and all the united that it hosts are all mentioned in details.

A details of the job performance is mentioned which enabled me to learn a lot of new things that would help me in the future.

Finally, I have provided suitable findings regarding the laggings and scopes of improvements of this department using my knowledge and overall views of the other members of RMD. I have used the intranet of CBL in this matter along with their financial report and website.

There might considerable lickings in the report due to the limitations of information and lack of time. However, I must assure that I have given my best in preparing this report and live it for further studies.

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Introduction

The economy of Bangladesh has always been in a turmoil state since commencement. However, the instigation of privatized commercial banks has laid down a milestone in the development of the country's economy. Today there are 47 Private Commercial Banks (PCBs) competing head to head with the 4 State Owned Commercial Banks (SOCBs), 4 Specialized Bank, 9 Foreign Commercial Banks (FCBs) and 31 Financial Institutions. But this did not happen right away. Generations went by to reach this state of competitive market scenario. The City Bank Ltd. is one of the first generation Commercial Banks to operate in Bangladesh. It started its voyage on 27th March, 1983 and now retains its crown among the five oldest Commercial Banks in the country.

Under a real-time online banking platform, these 4 business divisions are supported at the back by a robust service delivery or operations setup and also a smart IT Backbone. Such centralized business segment based business & operating model ensure specialized treatment and services to the bank's different customer segments

Risk Management in CBL

Risk management is an important and sensitive process, as a minor error can be fatal. This is why several divisions are assigned to manage each risk type separately. Currently the credit risk management unit is named as Credit Risk Management (CRM) Division. This division basically identifies and mitigates the credit risk inherent in every loan proposal. The market risk /investment risk is taken care by the ALCO and Head of Treasury and Market Risk Division and Operational Risk is taken care by Operation Support Division.

The Risk Audit function done by Internal Control and Compliance Division is to provide an independent assessment of the adequacy and reliability of the risk management processes, and compliance with risk policies and regulatory guidelines. The key

functions of Risk Audit Team are as under:

- Provide an independent assessment of the adequacy of the risk management processes and compliance with risk policies and regulatory guidelines.
- Ensure maintenance of system of internal controls and compliance with laws and regulations, internal procedures and guidelines.

Job Responsibility:

It was a team work within FCU (Fraud control unit). I was engaged with FCU for giving service to customers in their day to day transactions with Pause and Online mode. Pause mode is 091 and 051, online mode is 012.

My duty was to check the daily transactions of customers and make sure that customer did their transactions from their own amex credit card, master debit card, visa debit card, visa credit card etc. If there is found any fault then block the card. Actually it is a software based data that can show daily transactions of customers.

I need to ensure minimization of fraud.

Objective

Broad Objective

The broad objective of this study is to analyze the evaluation on risk management practices of „The City Bank Limited.“

Specific Objectives

- To give an overview on City Bank and its Risk Management System.
- To compare the performance of the bank with prudential regulations of Bangladesh Bank.

Finding out the shortcomings of the Bank in operations and providing some suggest remedial measures for its development.

Methodology

Methodology is a process through which a researcher gathering data and analyze the data to get some information and at last able to chalk out the result of the related study. Since this is a descriptive study, the qualitative method is used. So, the scope for using statistical tools and testing of hypothesis is very limited. A chronological description of the assigned topic is presented in the report. In order to make it meaningful and presentable, some significance methods and strategy has been used. In this part we try to clearly show the method we used spontaneously in this report. Two sources of data and information have been used widely:

Primary sources of data:

As a descriptive study, the primary data are used at organizational description.

Secondary sources of data:

- Websites of the City Bank Limited.
- Annual Report of the City Bank Limited.
- Circulars, circular letters and memos issued by the Banks and regulatory organization i.e. Bangladesh Bank and Govt.
- Intranet of the City Bank Limited.

Limitations

- Lack of sufficient related materials
- Lack of available and reliable primary data
- This work is based on secondary data
- Several information regarding on-going projects could not be used to analyze further the competitive positioning of The City Bank Limited as they were considered confidential.

Analysis:**Internet Transaction**

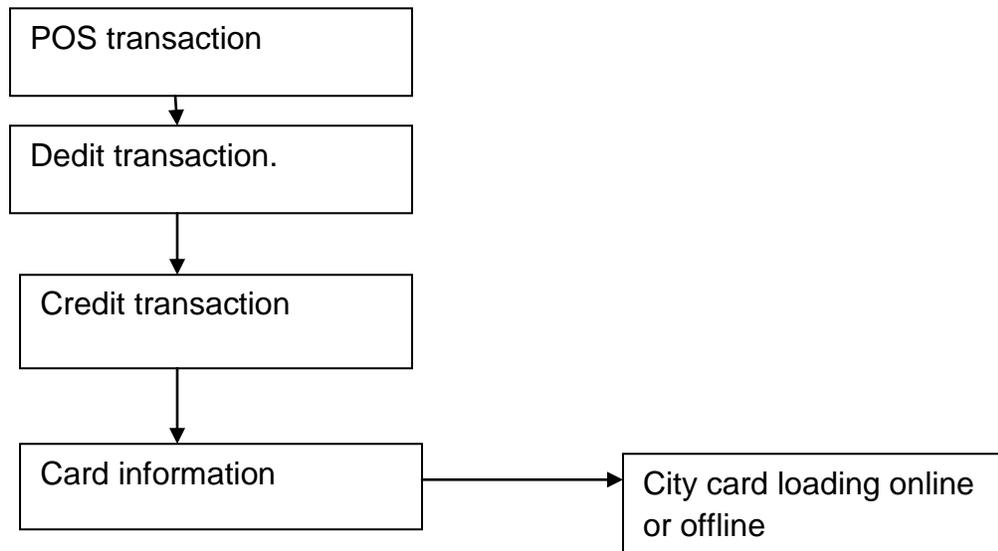
CBL offer their cardholders the extended offer to use their credit cards to do internet transactions with much security provided that anyone fulfill some conditions. Any person can pay his / her tuition fees, purchase books, goods etc from anywhere in the globe through internet.

Services through ATM

Cash advance facility has a close relation with ATM (Automated Teller Machine) facility for credit card, which is very convenient for the cardholders to draw cash from ATM rather than going to the bank. CBL has 163 ATM booths all around the country. The city card provides round the clock banking through ATMs from which card members can avail.

POS Terminals

POS terminals at the merchant end will operate/provide service throughout the day and beyond banking hours to offer:-



The "CITY CARD" network can operate both online in case line failure. Since City Card can store card information within and record transaction offline. ATM and POS services can be accessed without the need for online authorization from bank. City Card helps for self service banking any time anywhere through ATMs and POS terminals.

Table 1: City bank transaction monitoring for 4 Years

Year	No of Cards	Cumulative	Acquiring Volume	Ave Volume Per Month	Growth
2012	176	191	10.65 Crore	88 Lac	-
2013	52	243	21.35 Crore	1.77 Crore	110%
2014	105	348	28.14 Crore	1.51 Crore	114%
2015	121	469	44.23 Crore	3.68 Crore	144%

In 2012 there are sample of 176 cards that was acquiring volume was 10.65 core, average volume is 88 lacs. It was in a negetive figure .so year after year it is increasing. So City bank is performing their activities very smoothly and try to minimize their risks.

Table 2: Transaction pattern of customers

Response	f	%
More than once a week	9	7.4
Once a week	41	33.6
Once in every 15 days	35	28.7
Once a month	23	18.9
Once in every 2 months	14	11.5
Total	122	100.0

The usage ratio of CBL cards is very poor. Card Members do not use their cards randomly. The highest number of respondents, 41 – comprising 33.6% of them, said that they use their cards once a week. The second highest 28.7% use their cards once in every 15 days. And, it was found that almost 70% of the respondents use their cards once in every 15 days or more frequently.

Most of the CBL credit card holders do not rely much upon CBL. So they use other banks credit cards besides their CBL credit cards which proves the less reliability factor of AMEX and VISA credit cards of CBL.

Analysis of the Card holder by single or multiple type:

An astonishing 67.2% of the respondents use multiple (more than one) credit cards as it is shown in the Table. The other 32.8% use single card and significantly to say that most of them are relatively new users of credit cards. The most important reason for that is to get the chance of buying from the maximum number of merchants. So, it would be a competitive advantage for CBL if it appoints new merchants, who are not the merchants of other issuers.

Table 3: Cardholders according to single/multiple card user

Type	f	%
Single card user	40	32.8
Multiple card user	82	67.2
Total	122	100

So, City bank is trying continually to minimize their risks year after year. The transaction monitoring units are giving effort to solve this. As a result , it may be define that risks can not be o, it can be only minimized .

Findings & Recommendations

Finding

- Presently CBL does not maintain any risk register in a comprehensive way. Though the Internal Control & Compliance Division is maintaining risk profile but it is not sufficient.
- The Bank is too much centralized. For each and every move, branch office has to go for permission from the Head Office. The Head Office tightly controls each and every branch office. This helps in managing the risk efficiently but puts colossal pressure on the head office. It also blurs the customer needs as a risk manager in head office has limited idea of customer preferences.

Scope of improvement

The risk management of The City Bank Ltd. is quite efficient compared to the others but there is significant scope of improvement.

- The Bank has to expose the Risk Managers to customer preferences by letting them interview the customers.
- Steps to decentralize the risk functions up to some level.

Conclusion:

CBL has shown great enthusiasm in maintaining its reputation in the banking sector since the inception. It has constantly undergone changes complying with the changing environment. After the introduction of risk management practice it has undergone massive restructuring and coped up with the prevailing environment.

Working for an organization whose value includes result driven has been tough indeed.

Changed by the responsibility of research report I had to browse the universe of existing literature of the prescribed topics which required fundamental knowledge and the insight of the problem statement.

References

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- <http://click.thecitybank.com>