

**Internship Report**



***Foreign Trade Division***

# **Internship Report**

**On**

**Foreign Trade Division**

**Of**

**AB Bank Limited**

**Prepared for**

**Mohammad Zakir Hossain Sharkar**

**Senior Lecturer**

**Submitted by**

**Mirza Sarah Alam**

**ID # 05104026**

**Date of Submission**

**15 December,2009.**

## **LETTER OF TRANSMITTAL**

December 15, 2009

TO

Mohammad Zakir Hossain Sharkar

Senior Lecturer

BRAC Business School

BRAC University.

**Subject:- Submission of Internship on “*Foreign trade management System of ABBL*”**

Sir,

As a part of BBA Program an internship report is enclosed herewith. The report was prepared on “*Foreign trade management System of ABBL*” .In the course of preparation the report relevant documents, data, information were studied and practical knowledge had been gathered.

I pray and hope that the mistakes, the report may have, will be kindly excused. Lastly, I beg your kind consideration for evaluating this report.

Thanking you very much indeed.

Sincerely Yours,

---

Mirza Sarah Alam

Department-BBS

ID- 05104026

## **Acknowledgment**

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 foreign trade activities as well as banking business. Thanks to all those persons, who have assisted me, providing me co-operation, books and articles. I would like to express my special gratitude to Mohammad Zakir Hossain Shorkar for his supervision, co-operation and advices. I will always be indebted to her for the valuable suggestions and the time that she had spent for guiding me throughout the report.

My endless thanks go to my supervisor Mr. Eftekhar Enam Awal VP AND RELATIONSHIP MANAGER of AB Bank Limited, Kakrail branch for being patient and supporting me during my internship program. My peers and colleagues at the bank had also been very helpful; and they made my internship a more enjoyable and eventful one.

This report on “**Foreign Trade of AB Bank Limited**” is submitted to Mohammad Zakir Hossain Shorkar on 15 December 2009. This report was prepared as a requirement of internship program.

I have worked in the AB Bank Limited, kakrail branch for three months. As an intern, I had the opportunity to do different types of tasks related to general banking, which broadened my perception about AB Bank operation. During this period, I have used his observation and gained experience about various banking functions and day-to-day operation regarding the foreign trade.

AB Bank Limited, the first private sector bank under Joint Venture with Dubai Bank Limited. During the last 26 years, AB Bank Limited has opened 70 Branches in different Business Centers of the country, one foreign Branch in Mumbai, India, two Representative Offices in London and Yangon, Myanmar respectively and also established a wholly owned Subsidiary Finance Company in Hong Kong in the name of AB International Finance Limited. To facilitate cross border trade and payment related services, the Bank has correspondent relationship with over 220 international banks of repute across 58 countries of the World.

Since beginning, the bank acquired confidence and trust of the public and business houses by rendering high quality services in different areas of banking operations, professional competence and employment of the state of art technology. Thus, the objective of my study has been to find out the foreign trade on bank’s current level of online service and to

recommend some necessary short term and strategic plans to ensure quality service. A tabulation work and a survey were conducted and the results are then interpreted.

In this report The organization gives the idea about of AB Bank, AB Bank's objective, strategy. Then general banking division mainly discusses about my experience during my 3 months internship at the Bank. Project part contains the foreign trade division of AB Bank Limited,

The vision of AB Bank is to be the trendsetter for innovative banking with excellence & perfection, which delight the customer and an environment where the people excel. This bank has earned a good niche in the hearts of Bangladeshi people for its long-standing service and quality.

I again at the end of the summary would like to express my special thanks to Mr soheab imran AVP & Operations manager and all my colleagues, ABBL, Kakrail branch for providing me all the guidance and support that I need.

Besides, my thanks go to all the other member of AB Bank, and all my family members and friends for their co-operation at different level of my study.

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# **1. Introduction:**

## **1.1 Origin of the report:**

This report is the outcome of the 3 months long internship program undertaken with AB BANK.. The preparation and submission of this report is a fundamental requirement for the fulfillment of the Bachelor of Business Administration (BBA) course curriculum of BRAC Business School, BRAC University.

## **1.2 Background of the Study:**

Banking Industry in Bangladesh is fully guided by the Central Bank, i.e. Bangladesh Bank. However, different bank has different management system, operational techniques and different guidelines. It makes the different views of different banks on the same topics & terms. The central Bank faces problem regarding regulating banks for there various practice. So Bangladesh Bank decided to frame a unique guideline for all of the banks, which would be classified as “INDUSTRY BEST PRACTICE”.

A core area of concentration of this study was Foreign Exchange Division, so this study is concerned with the specific area of managing Import & Export procedures to promote logistic support in business.

## **1.3 Objectives :**

The main objective of the study is to get a clear-cut idea about how Foreign exchange division runs and what function it does. In line with the broad objective, the detailed objective of the study may be spelled out as follows:

- ❖ To know about the foreign exchange mechanism of the bank.
- ❖ To identify the risk involved in foreign exchange proceedings.

- ❖ To find out the problems relating to import and findings the discrepancy and the way to resolve the Risk of import procedures
- ❖ The risks involved in repatriation of export proceedings.
- ❖ To know the regulation and deregulation regarding Foreign Exchange in Bangladesh.

## **1.4 Methodology:**

The study is performed based on the information extracted from different sources collected by using a specific methodology. The detailed is given below:

### **1.4.1. Data collection:**

Sources of data are as follow:

- ❖ Face to Face conversation with the respective officers and staffs
- ❖ Sharing practical knowledge of officials.
- ❖ Annual Report of AB Bank.
- ❖ Audit Reports
- ❖ Relevant file study provided by the officers concerned.
- ❖ Website
- ❖ Relevant books, Research papers, newspapers and Journals
- ❖ Internet and various study selected reports.

### **1.4.2. Analytical Tools Used:**

To analyze the collected data chart & graph has been used for better presentation of financial data.

## **1.5 Scope :**

Banking system occupies an important place in a Nation's economy. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core of the money market in an advanced country. In recent times the banking sector over the world has been undergoing a lot of changes due to regulation, technological innovation, globalization etc. Bangladesh banking sector is lagging for behind in adopting these changes. To thrive well in these changing environments, not only development of appropriate infrastructure is necessary but also infusion of professionalism in to banking service is essential.

## **1.6 Limitations the study:**

From the beginning to end, the study has been conducted with the intention of making it as a complete and truthful one. However, many problems appeared in the way of conducting the study. During the study, it was not possible to visit the whole area covered by the bank although the financial statements and other information regarding the study have been considered. The study considers following limitations:

- ❖ This report suffers from a narrow data range for analysis.
- ❖ All the concerned personnel of the bank have not been interviewed.
- ❖ Lack of experience.
- ❖ The time period for this study was short.
- ❖ Inadequacy and lack of availability of required Current data.
- ❖ The documentation part of the Letter of Credit with regard to export and import is quite complicated and huge formalities are maintained.

## **2.The organization:**

### **2.1 Historical Background:**

AB Bank Limited, the first private sector bank under Joint Venture with Dubai Bank Limited, UAE incorporated in Bangladesh on 31st December 1981 and started its operation with effect from April 12, 1982.

Dubai Bank Limited (name subsequently changed to Union Bank of the Middle East Limited) decided to off-load their investment in AB Bank Limited with a view to concentrate their activities in the UAE in early part of 1987 and in terms of Articles 23A and 23B of the Articles of Association of the Company and with the necessary approval of the relevant authorities, the shares held by them in the Bank were sold and transferred to Group "A" Shareholders, i.e. Bangladeshi Sponsor Shareholders.

As of December 31, 2006; the Authorized Capital and the Equity (Paid up Capital and Reserve) of the Bank are BDT 2000 million and BDT 2582.76 million respectively. The Sponsor-Shareholders hold 50% of the Share Capital, the General Public Shareholders hold 49.43% and the rest 0.57% Shares are held by the Government of the People's Republic of Bangladesh. However, no individual sponsor share holder of AB Bank holds more than 10% of its total shares.

Since beginning, the bank acquired confidence and trust of the public and business houses by rendering high quality services in different areas of banking operations, professional competence and employment of the state of art technology.

During the last 26 years, AB Bank Limited has opened 70 Branches in different Business Centers of the country, one foreign Branch in Mumbai, India, two Representative Offices in London and Yangon, Myanmar respectively and also established a wholly owned Subsidiary Finance Company in Hong Kong in the name of AB International Finance Limited. To facilitate cross border trade and payment related services, the Bank has correspondent relationship with over 220 international banks of repute across 58 countries of the World.

AB Bank Limited, the premier sector bank of the country is making headway with a mark of sustainable growth. The overall performance indicates mark of improvement with Deposit reaching BDT 42076.99 million, which is precisely 53.78% higher than the preceding year. On

the Advance side, the Bank has been able to achieve 46.32% increase, thereby raising a total portfolio to BDT 31289.25 million, which places the Bank in the top tier of private sector commercial banks of the country.

On account of Foreign Trade, the Bank made a significant headway in respect of import, export and inflow of foreign exchange remittances from abroad.

## **2.2 Board of Directors :**



M. Wahidul Haque  
Chairman



Sajedur Seraj  
Vice Chairman



Salim Ahmed  
Director



M. A. Awal  
Director



Shishir Ranjan Bose  
Director



Faheemul Huq  
Director



Syed Afzal Hasan Uddin  
Director



Mishaal Kabir  
Director



Md Salah Uddin  
Director



Md Mesbahul Hoque  
Director



Md. Anawar Jamil Siddqui  
Director



Kaiser A. Chowdhury  
President & Managing Director

## 2.3 Management Committee:



Kaiser A. Chowdhury  
President & Managing Director



Niaz Habib  
Deputy Managing Director, Corporate



Faruq M Ahmed  
Deputy Managing Director, Credit



Shamim Ahmed Chaudhury  
Deputy Managing Director, Operations



M. A. Abdullah  
Head of Change Management and  
HRM



Fazlur Rahman  
Senior Executive Vice President, Head  
of Investment Banking



Badrul H. Khan  
Senior Executive Vice President,  
Chief Finance Officer



Abu Hena Mustafa Kamal  
Executive Vice President, Head of  
Financial Institution and Treasury



Reazul Islam  
Senior Vice President, Head of  
Information Technology



Amzad Hossain  
Vice President, Head of Internal  
Control & Compliance

### **3. Mission, Vision, Objectives and Strategies:**

#### **3.1 Mission Statement:**

"To be the best performing bank in the country"

#### **3.2 Vision Statement:**

"To be the trendsetter for innovative banking with excellence & perfection"

#### **3.3 Objectives of the Bank:**

To exceed customer expectations through innovative financial products & services and establish a strong presence to recognize shareholders' expectations and optimize their rewards through dedicated workforce.

##### **3.3.1. Long term Objective:**

Keeping ahead of other competitors in productivity and profitability.

##### **3.3.2. Short term Objective:**

To attain budgetary targets fixed in each area of business

#### **3.4 Strategic and Financial Objectives:**

In this report, the major area of commercial banking has been covered is Foreign Exchange Section which comprises of mainly following departments .

### **3.4.1. Strategic Objectives:**

- ❖ A bigger market share
- ❖ Broader and more attractive services and products than rivals.
- ❖ Superior customer service
- ❖ Wider geographic coverage than rivals

### **3.4.2. Financial objectives:**

- ❖ Growth in earnings
- ❖ Higher dividend
- ❖ A more diversified revenue base

My internship in AB BANK at kakrail Branch. AB Bank Kakrail has three divisions. They are-

1. General Banking division
2. Foreign Trade and Remittance division and
3. Credit Management division

## **4. GENERAL BANKING DIVISION**

General banking department usually performs a lot of important banking activities. General banking department is the department which is mostly exposed to the maximum number of bank customers. It is the introductory department of the bank to its customers. All business concerns earn a profit through selling either product or a service.

A bank does not produce any tangible product to sell but does offer a variety of financial services to its customers. The kakrail branch of AB BANK LTD. has all the required sections of general banking and this section are run by manpower with high quality banking knowledge. Hence a touch of rich customer service is prevailing in the branch.

General banking division also has three divisions. They are-

- a. Account Opening Department,
- b. Local Remittance Department and
- c. Financial Controlling Department (FCD).

### **4.1. Account Opening**

Banker-customer relationship is a contractual one and this starts through opening of an account. To open an account, customer has to apply through a form provided by the bank named “Account Opening Form (AOF).” Bank requires to take as much as information about its customer during opening an account. The account opening form is a composite one and consists of followings:

1. Personal Information Form
2. Account Opening Form (Individual/Corporate)
3. Expected Transaction Profile (ETP) Form
4. KYC Form
5. Terms and Conditions
6. Specimen Signature (SS) Card.

After receiving the dully fill up forms and necessary documents bank may open that account. The minimum balance for opening an account must be received in cash. With the permission of manager or head of operation, bank opens account. After opening an account, bank will not issue cheque book immediately rather bank issue a “Thanks letter” to customer’s address by mail for verification. With the thanks letter, bank sends an “Acknowledgement.” When customer comes to bank with acknowledgement, a cheque book requisition form is provided to him. Customer receives cheque book next day after requisition.

The account number has three parts. First, the branch code (4 digits), second, customer’s ID number (6 digits) and finally, suffix code (3 digits). For example, an account number is-

4009-343896-000

4009 is the branch code for Kakrail branch, 343896 is customer’s ID number and 000 is suffix code for current accounts. Similarly, the suffix codes are as below:

Account Type	Suffix Code
Current	000
Savings	300
Short Term Deposit (STD)	430
Foreign Currency (FC)	040 ( US Dollar)
	043 ( Euro)
	048 (Pound)

### **Types of accounts**

**A.** Basically the following types of accounts are opened. They are-

1. Savings account
2. Current accounts
3. Short term deposit account
4. Resident Foreign Currency Deposit (RFCD) account
5. Non-Resident Foreign Currency Deposit (NFCD) account

#### **1. Savings Account:**

In savings deposit account, interest is payable to the customer. The interest rate for savings account is 6 percent. Interest is calculated on a monthly basis on the lowest balance in the account during the month. Customer can withdraw twice in a week and maximum limit per transaction is BDT.25 thousand and withdrawal beyond this limit requires 7(seven) days prior notice. If the total withdrawal without notice is allowed twice in a week up to 25% of the balance in the account subject to maximum limit of BDT.25,000 withdrawal beyond the maximum limit will require 7(seven) days prior notice, failing of which interest will not be allowed for the month in which the withdrawal occurs. Interest rate may be subject to change without notice to customer. Interest will be credited to customers account on half-yearly basis.

The minimum account opening balance is Tk.10, 000. The minimum balance must be maintained in the account. The amount of minimum initial deposit is the minimum balance for maintenance. The account maintaining fee is Tk.500 and charged twice a year. If the balance falls below Tk.10, 000, bank will charge minimum balance charge Tk.250 half-yearly. The bank reserves the right to realize an incidental charge and or/ to close the account without prior notice to the customer(s), if he/she/they fail to maintain the minimum balance.

## 2. Current Account:

No interest is payable in current accounts. Current account has advantages over savings account. Advantages are - no such withdrawal limit and overdraft facility. The minimum account opening balance is Tk.5, 000. The minimum balance must be maintained in the account. The account maintaining fee is Tk.500 and charged twice a year. If the balance falls below Tk.5, 000, bank will charge minimum balance charge Tk.250 half-yearly.

## 3. Short term Deposit (STD) Account:

Deposits held for 7 days to 89 days which is withdrawable on notice are specified as Short Term Deposits. In STD deposit account, interest is payable to the customer. The interest rate for STD account is 4 percent. Interest is calculated on daily basis on the balance in the account during the month. But customer will only receive interest if the balance is 5 lac or above. Interest will be credited to customers account once in a calendar year at the end of December. To qualify for interest any credit into the account must remain deposited for at least 07 days.

The minimum account opening balance is Tk.10, 000. The minimum balance must be maintained in the account. The account maintaining fee is Tk.500 and charged twice a year. If the balance falls below Tk.10, 000, bank will charge minimum balance charge Tk.250 half-yearly.

**B.** A banker-customer relationship starts through opening an accounts. A bank opens accounts for various types of customers. Normally the banks have to deal with the following types of deposit customers:

1. Individuals
2. Proprietorship Firms
3. Partnership Firms
4. Limited Companies
5. Clubs and Associations

6. Trusts
7. Executors and Administrators
8. Cooperative Societies
9. Government , Local Bodies & Corporations Account etc.

### **Account Closing**

Account closing is also done by account opening division. The customer may close his/her/their account(s) at any time giving notice to the bank. Similarly, the bank on genuine ground may close customer(s) account giving reasonable notice for the action or without any notice if the conduct of the account is not satisfactory to the bank or any reason(s) whatsoever. In either case, bank will realize a closing charge from the customer's account. The usual closing charge is Tk. 300 + 15% VAT. But, the closing charge of account within three months of opening is Tk.500 + 15% VAT. To close an account-

1. Account holder requires applying in a specific form with full signature.
2. He/she/they must surrender the unused leaves/cheque book provided by the bank.
3. Verification of signature and approval by operation head.
4. Close the account.

On closure of the account, the bank will pay the credit balance (if any) of the account and any interest due to the customer(s). The customer(s) shall surrender the unused cheque books/leaves along with the requisition slip and other materials (if any) supplied by the bank for operation of the account.

### **Account Transfer**

AO department also transfers account to from one branch to another on customer's request. The steps are:

1. Application for account transfer
2. The customer(s) shall surrender the unused cheque books/leaves along with the requisition slip and other materials (if any) supplied by the bank for operation of the account.

3. Verification of signature and approval of operation head.
4. Inform the respective branch.
5. Forward the documents.
6. Close the account.

### **Dormant Account Activation**

An account is considered or classified as “Dormant” if the account remains inoperative for six months. To activate dormant account-

1. Account holder must come to bank and fill up an activation form.
2. Signature verification and approval of operation head.
3. Activation of account.

To activate a dormant account, bank will charge Tk.500 + 15% VAT as activation fee.

### **Cheque Book Issue**

Bank provides a cheque book one day after requisition. The name of account holder, account number and cheque number are printed on the book and leaves. Bank usually issue cheque book containing 20 leaves for savings account, 50 leaves for current account. A charge for cheque book is Tk.1.50 per leaf plus 15% VAT. So, Tk.34.50 charged for 20 leaves cheque book and Tk.86.25 for 50 leaves cheque book. One may apply for two books. In that case, Tk.200 + 15% VAT is charged for the next book.

### **Bank Account Statements and Certificates**

All types of bank statements and certificates such as solvency certificates, income tax certificates, B.O. certificates etc. As per customer’s instruction the bank dispatch the account statement/advice to his/her/their address. Moreover, on customer’s request, bank provides statement and certificates related to the account.

## **4.2Local Remittance Division**

### **Remittance of funds:**

Remittance of funds means transfer of remitted funds to a particular person or his order in a particular branch of the same branch or on other banks with which it may have agency arrangement. This facility is available to the customers of a bank as well as non-customers.

### **Modes of Remittance:**

Various modes have been evolved by the banks for remittance of funds from one place to another. Generally such remittance is affected by the banks in three ways, namely:

1. Demand Draft (DD)
2. Mail Transfer (MT)
3. Telegraphic Transfer (TT)

But, the “Local Remittance Department” of AB Bank, Kakrail Branch performs the following functions:

1. Pay order (PO)
2. Collection
3. FDR
4. Sanchaya Patra
5. ATM card.

Though AB Bank Ltd. has online banking facility, DD, MT and TT are not practiced now. They are substituted by the “Payment Order.” No. 3, 4, 5 are not the mode of fund transfer but this particular branch performs these three functions also.

## **Payment Order (PO)**

Issued by a branch of the banks is, technically speaking, not a mode of remittance. It appears to be a remittance to the local creditor. A Payment Order is not a negotiable instrument and hence it can neither be endorsed nor crossed like a banker's Draft or Cheque.

The PO application form is stored as a record as well as a PO issuing register is maintained. If the payment is made by cash, then the application form is stored by "Cash Department." And when the payment is made through cheque or debiting customers account, then the application form is stored by "Remittance Department." PO is called the "Manager's Cheque" because it never bounces. It has no time limit for its validity like six months for cheques.

### **PO commissions rate and VAT:**

Banks provide remittance facility to transfer funds by charging a commission. Commissions charged for remittance vary from bank to bank. But VAT charged by the government is same for all the banks. Usually, VAT is 15 percent of the commission charged by a particular bank. The commissions charged by AB Bank Ltd. and VAT on these commissions are given below:

#### **PO commission rate and VAT of AB Bank Ltd.**

Amount (in taka)	Commission ( in taka)	VAT (15% on Commission)
1 - 1000	25	3.75
1,001 – 100,000	50	7.50
100,001 – 500,000	75	11.25
500,001 - Above	100	15.00

### **Issuance of PO**

- Application in prescribed form
- Receiving cash deposit, cheque or debiting customer's account
- Writing PO without alteration
- Check and signed by two authorized officer.
- Handover to customer with acknowledgement
- Entry into PO issuing register
- Preserve the application form.

During issuance, the PO is signed by two authorized officer. After their signature, they use a P.A. number for preventing fraud and forgery.

### **Issuance of Duplicate PO:**

- Application with reason
- Verify the signature with the original application form.
- Ensure PO amount not paid.
- Obtain indemnity bond
- Issuance of duplicate PO
- Note in register and application form
- Message to the branches.
- Preservation of application and indemnity bond.

### **Payment of PO:**

Usually it is payable at the issuing branch itself. Due to their online service, PO purchased from any branch can be cashed from any branch of AB Bank Ltd. all over Bangladesh. For purchasing a customer has no need to have an account. But for encashment, it is necessary to have an account in the bank. Because PO is only payable to payee i.e. the instrument is “Account payee.”

### **Stop Payment of PO:**

- Application with reason
- Signature verification
- Ensure PO amount not transferred to the payee
- Obtain indemnity bond
- Issuance of duplicate PO
- Note in register and application form
- Message to the branches.
- Preservation of application and indemnity bond

### **Cancellation and Refund of PO:**

If the payment of this order has not been completed and refund is requested, AB Bank Ltd. will endeavor to notify the appropriate office, branch, correspondent or agent to cancel the transaction. The cancellation process in brief is as below:

- Application with instrument
- Signature verification
- Ensure PO amount not transferred to the payee
- Confirmation about duplicate issue
- Obtain cancellation charge
- Note in PO register and application form
- Cancellation of instrument.

If the order is expressed in the currency of the country when the order was issued, refund will be made in such currency. If the order is expressed in any other currency banks only responsibility is to make refund at the current value of such currency at the time such refund is made in the place where the order was issued. Any loss due to fluctuation in the rate of exchange or impairment or destruction of such currency will be assumed by the sender. The Bank need not however, make any refund unless or until they are in receipt of proof satisfactory to them that the payment of this order has not been complete, that this order is no longer operative, that no charge by virtue of this order exists or will be against the account upon which this order was drawn, and that any portion of that account which was charged or earmarked for payment is at our free disposal. All cable and other expenses in connection with establishing such proof shall be borne by the sender. If at the time of the refund is to be made there is no market in the place where this order was issued for currency called for in this order, bank needs make no refund unless and until such a market exists.

### **Bills Collection**

AB Bank Ltd. collects the payment of cheques deposited by their customers. Usually, interbranch collection is made through online, but interbank collections are made through “Clearing House.”

**Process of collection:** When a branch receives cheques for collection, they can collect it directly through the “Clearing House” or through other branches. Each branch has a zone for collection. If

the cheques of different banks received from customers are within their clearing zone, they collect it directly through their “Clearing Section.” But if the cheques are outside their zone, they forward these cheques to another branch of that area with forwarding slip named for collection. This is called Outward Bills Collection (OBC). The process of forward cheques to other branches i.e. OBC is as below:

1. Receiving cheques from cash section and entries are made to OBC register.
2. Then, stamp OBC on cheques with OBC serial number.
3. Crossing and Endorsement.
4. Confirmation of endorsement by authorized signature.
5. Making a forward slip narrating number of cheques, total amount and account number to which the amount is to be credited.
6. Attach forwarding slip and cheques only and make a copy of them.
7. Send the cheques with forwarding slip to respective branch.
8. Preserve copy of forwarding slip and cheques with customer’s depository slip.

In the same way, when a branch receives cheques or bills for collection from other branches of AB Bank Ltd. then the branch in whose favor the bills are sent, collects bills for those branches.

The step by step process of collection may be stated as below:

1. Receiving the cheques for collection.
2. Making DAD (Deposit Awaiting Disposal) Entries.
3. Making Bills Department Entries.
4. Crossing and Endorsement
5. Confirmation of endorsement by authorized signature.
6. Send to the “Clearing Section.”
7. Send a message to depositors whose cheques are dishonored.
9. Making debit and credit vouchers for honored cheques and stored.

## **Clearing:**

Cheques for clearing can be classified into two classes. One is the “Same day cheques” and other one is “Normal day cheque.” Cheques those are required to be cleared through clearing house on the same day at which it is sent for clearing, are called the “Same day cheques.” Prerequisites of same day cheques are-

1. Face value of cheque should be above 5 lacs.
2. Paying banks should be within Motijheel area (5km around the central bank).

On the other hand, cheques those are required to be cleared through clearing house on the next day at which it is sent for clearing, are called the “Normal day cheques.” Normal day cheques send to head office, next day they are send to clearing house. It takes one more day for clearing than same day cheques. Clearing house arranged twice in a day – in morning and after launch. In morning, 1<sup>st</sup> house starts at 9:30 a.m. and clears the normal day cheques. 2<sup>nd</sup> house starts at 11:30 a.m. and clears the same day cheques. After launch, the dishonored cheques are returned to the collecting banks.

1. Receiving the cheques for collection.
2. Making computer (Clearing and Online deposit) Entries.
3. Making a bank wise summary and attach it with cheques of respective banks.
4. Send to the head office.

During computer posting, the cheques deposited by customers of a branch itself, credits the customer’s account. But this amount is not included in available balance of that account. This credit is called “Shadow Credit.” If deposited cheques are honored, the customer’s accounts will be auto credited by central clearing of the bank. Sometimes, a branch collects cheques for other branch or deposited by account holder of another branch. Then, the collecting branch credits (shadow) their own DAD account. If cheques are honored, then collecting branch credits customer’s account directly by debiting their DAD account. If deposited cheques are dishonored, the customer’s accounts will be auto debited by central clearing of the bank.

### **Accounting Process:**

When bills received for collection-

Output contra Account            Dr.

DAD Account                            Cr.

When bills are collected and disposed -

DAD Account                            Dr.

Output contra Account            Cr.

AB Bank, Kakrail branch maintains Output contra account and DAD account for the purpose of collection. The account number of Output contra is 832210, suffix no. 050 and DAD account is 884270, suffix no. 050. The transaction code for Dr. and Cr. is 140 and 640 respectively.

### **Fixed Deposit Receipt (FDR)**

FDR is the instrument of a bank itself. Customers can put their money in the bank for a fixed period and earn interest from it. AB Bank has four types of FRD. This classification actually based on the maturity period. They are:

1. FD 1 – Maturity Period: 3 (Three) months (P1).
2. FD 2 – Maturity Period: 6 (Six) months (P2).
3. FD 4 – Maturity Period: 1 (One) year (P4).
4. FD 5 – Maturity Period: 2 (Two) years and above (P5).

It should be noted that the interest of FDR is calculated by compound interest rate.

### Interest Rate of FDR

AB bank gives interests to their customers according to their treasury circular and it is effective from August 24, 2009. The interest rates are given below:

Products	Interest rate
FD 1	8.00%
FD 2	8.00%
FD 4	8.50%
FD 5	7.50%

**Source:** AB Bank Ltd. Treasury Circular No.: 17/09. Date: August 24, 2009

### Income Tax

Income tax charged by the government when the FDR matures. Income tax rate is 10 percent of the interest received by the customer.

### Excise Duty on FDR

Excise duty is charged once in a year and in the beginning of the year. First excise duty charged on the principal amount of FDR. From next year, it is charged on the present value of FDR.

Deposited Amount (in Taka)	Excise Duty (in Taka)
Up to 20,000	Nil
20,001 to 1,00,000	120
1,00,001 to 10,00,000	350
10,00,001 to 1,00,00,000	1,000
1,00,00,001 to 5,00,00,000	5,000
Above 5,00,00,000	10,000

**Process of Issuing FDR:**

1. Application in prescribed form.
2. Receiving cash deposit, cheque or debiting customer's account.
3. Obtaining two passport size photographs (One of the purchasers and one of the nominees).
4. Writing FDR without alteration.
5. Check and signed by two authorized officer.
6. Handover to customer with acknowledgement.
7. Entry into FDR issuing register and computer.
8. Preserve the application form.

The application form has two parts. One is account opening form and another is personal information form. If the purchaser already has an account in AB Bank Ltd. he or she needs not to fill up the account opening form. He or she only required to fill up the personal information form. One can purchase FDR in single name or joint names. In case of joint purchaser, each purchaser required to fill up one personal information form. If the purchaser has no account, then bank opens an account for the customer. Every account has a suffix number which indicates types of account. The last three digits of an account number is its suffix number. The suffix numbers of different types of categories are as below:

Products	Suffix Numbers
FD 1	200
FD 2	202
FD 4	206
FD 5	20-----

If the customer gives cash or cheque of AB Bank to purchase FDR, bank can issue FDR then and then. But if the cheque is of other banks, then the FDR is issued after the cheque has been honored which usually takes 2-3 days.

There is no guideline about the minimum required amount to purchase FDR. A client can purchase FDR worth of any amount. But in practice, banks will prefer minimum 25,000 taka for purchasing FDR.

### **Payment of FDR:**

Payment of FDR may be made before maturity or after maturity.

**Premature Encashment:** If encashment request is received within 30 days of issuing date, the purchaser will not receive any interest on it. Moreover, following charges will be subtracted from the principal amount:

Premature charge	:	300 taka.
VAT (15% on P. charge):		45 taka
Excise Duty	:	Based on principal amount.

For any premature encashment these charges are taken by the bank. After subtracting all the charges, rest amount is given to the client.

If encashment request is received after 30 days of issuing date to any date before maturity, the purchaser will receive interest at savings interest rate (6%) on it. But he/she has to pay the stated premature encashment charges.

**Matured Encashment:** After maturity, a purchaser can apply for payment of FDR. He/she can take either entire amount i.e. principal amount plus interest or only the interest. If the purchaser wishes to draw only the interest earned, this interest can be paid in cash or transfer to customer's account. If the purchaser wants entire amount, he/she should submit the instrument to the bank. The payment process in brief is given below:

- Instrument received with two signatures on back side.
- Signature verification from FDR application form.
- Calculation of total amount to be credited to customer after subtracting income tax and excise duty.
- Payment is made by transfer to account of customer or cash. For cash payment, a debit voucher is issued for payment of interest credited.
- Entry in FDR issuing register and made customer account nil.
- Mark paid on application form and FDR issuing register.

### **Renewal of FDR:**

The FDR renewal is done after its maturity if purchasers will not apply for encashment of FDR. During renewal, interest obtained as prescribed rate is added to principal amount. Then income tax and excise duty is subtracted from the amount obtained earlier. The balance amount will be the new principal amount for renewal. It should be noted that, income tax is charged on each maturity when client receives interest and excise duty charged once in a year and at the beginning of that year. If the customer only takes the interest earned on maturity, the principal amount will be the initial FDR amount. Renewal entries are made in the FDR issuing register and then it is posted to the computer. The computer has automated software for FDR renewal which provides a date wise list of FDRs with interest at the beginning of each month. According to that list, renewal of FDRs is made on that day. The renewal entries are posted to the computer only if the purchaser will not apply for encashment of FDR and apply only for interest earned on maturity date. For paid FDR, no computer entry is made.

### **Present value calculation of FDR:**

1. FDR of three months maturity period matures four times in a year.

After first maturity:

$$\text{Present value of FDR} = \text{Principal amount} + \text{Interest earned} - (\text{Income tax} + \text{Excise duty}).$$

After second maturity:

$$\text{Present value of FDR} = \text{Principal amount} + \text{Interest earned} - \text{Income tax}.$$

After third maturity:

$$\text{Present value of FDR} = \text{Principal amount} + \text{Interest earned} - \text{Income tax}$$

After fourth maturity:

$$\text{Present value of FDR} = \text{Principal amount} + \text{Interest earned} - \text{Income tax}$$

2. FDR of six months maturity period matures twice in a year.

After first maturity:

Present value of FDR = Principal amount + Interest earned - (Income tax + Excise duty).

After second maturity:

Present value of FDR = Principal amount + Interest earned - Income tax.

3. FDR of one year maturity period matures once in a year.

After maturity:

Present value of FDR = Principal amount + Interest earned - (Income tax + Excise duty).

**Accounting Process:**

When FDRs are issued -

FDR Account	Dr.
Customer Account	Cr.

During renewal -

Income tax	Dr.
Excise duty (if applicable)	Dr.
Interest	Cr.
Customer Account	Cr.

During payment-

Interest paid	Dr.
Principal paid	Dr.
Balance paid	Cr.

AB Bank, Kakrail branch maintains customer account and FDR account. The account number of FDR is 911111, suffix no. 050.

## Sanchaya Patra

Sanchaya Patra is the instrument of Government of Bangladesh. Bangladesh Bank issues Sanchaya Patra on behalf of government. All the scheduled banks sell this instrument as an agent of Bangladesh Bank. Banks will get commission at the rate of 0.5 percent i.e. 0.5 taka per 100 taka. The sales taka will send to Central Bank at the end of each month. Bank will maintain a register for commission on sales and forward this claim to Central Bank within the announced date of Central Bank. Then, Central Bank will pay the commissions to the bank.

### **Types of Sanchaya Patra:**

Central Bank issues three types of Sanchaya Patra which have different maturity periods and interest rates. They are:

1. Three Months Term Investment Scheme (TMT).
2. Five Years Bangladesh Sanchaya Patra (BSP).
3. Five Years Pensioner Sanchaya Patra (PEN).

TMT and BSP are most widely seen. In brief, maturity periods and interest rates are given below:

Sanchaya Patra	Maturity Period	Interest Rate
TMT	3 years	11.50 %
BSP	5 years	12.00%

It should be noted that Sanchaya Patra is free from charges such as income tax and excise duty as it is an instrument of government. The available Sanchaya Patras are:

Sanchaya Patra	Face value in BDT
TMT	1,00,000
	2,00,000

	5,00,000
BSP	10,000
	25,000
	50,000
	1,00,000

### **Features of Sanchaya Patra:**

1. It is an instrument of the government.
2. It gives highest interest rate.
3. Its interest is free from tax and excise duty.
4. In case of TMT, purchaser can avail interest on every three months
5. In case of premature encashment, no premature charge is applied like FDR.
6. In Sanchaya Patra, nominee can be two in number.

### **Purchasing of Sanchaya Patra:**

A person can purchase Sanchaya Patra in single name worth of maximum 50 lacs and in joint names worth of 1 crore. The process of purchasing Sanchaya Patra is as below:

1. Receiving cash deposit, cheque or debiting customer's account.
2. Obtaining proof of customer's identity.
3. Obtaining four passport size photographs (Two of the purchasers and two of the nominees).
4. Issue Sanchaya Patra.
5. Check and signed by two authorized officer.
6. Handover to customer with acknowledgement.
7. Entry into Sanchaya Patra stock card.
8. Statement preparation and send to head office within 24 hours.
9. Preserve the application form.

If the customer gives cash or cheque of AB Bank to purchase, bank can issue Sanchaya Patra then and then. But if the cheque is of other banks, then the FDR is issued after the cheque has been honored which usually takes 2-3 days.

### **Payment of Sanchaya Patra:**

Payment of may be made before maturity or after maturity.

**Premature Encashment:** If encashment request is received for payment before maturity, it is called premature encashment. For both TMT and BSP premature payment before one year from issuing date, the purchaser will not receive any interest on it. He/she will only receive the principal amount. After completion of one year of issuing date to any date before maturity, the purchaser will receive interest at a prefixed interest rate on it. In case of TMT, purchaser avails interest after each three months. In that case, purchaser should place the token that is supplied with the instrument. Before maturity all the interest taken by the purchaser will be adjusted during payment and rest amount is given to the client.

**Matured Encashment:** After maturity, a purchaser has to place the instrument for payment. There is no difficulty in payment after maturity. The payment process in brief is given below:

- Instrument received with two signatures on back side.
- Signature verification from Sanchaya Patra application form.
- Adjustment of interest paid if any.
- Payment is made by transfer to account of customer or cash. For cash payment, a debit voucher is issued for payment of interest credited.
- Preparation of a voucher for the payment made.
- Mark paid on application form.

### **ATM Cards**

The local remittance department of AB bank Ltd. Kakrail branch also performs the function of issuance and bills collection of ATM cards. For debit cards, no particular forms are supplied. The application forms are attached with account opening form. But for credit cards, customer has to

apply in a particular form supplied by bank. Then this form along with necessary documents is sent to head office. Head office will determine the allowable credit limit of the applicant.

### **4.3 Financial Controlling Department (FCD)**

FCD usually perform financial activities, human resource management activities and branch management activities. These are the broad classification of function those are performed by FCD. For example-

- 1. Financial Activities:** Preparation of daily position, additional information for Thursday position, monthly statement, quarterly statement, half yearly and yearly statement etc. Moreover, the Yearly Budget for the Branch also prepared by the FC Department. If the budget is approved by the Head Office, FCD analyses the progress of achievement as per budget time to time.
- 2. HRM Activities:** Joining of new employee in the branch, release order, leave permission, payment of salaries etc. That is FCD acts as HRM department for the branch.
- 3. Branch Maintenance and Management Activities:** All the activities those facilitate the smooth operation of the Branch are done by the Branch FCD. It also includes safety of vaults, requisition of stationeries, storage and distributes among the departments, maintenance of computers, and network server, and power generator, payment of bills by the Branch, keep the Branch office and surroundings neat and clean, arrangement of monthly meetings and take necessary decisions and all other necessary works.

**Duties and Responsibilities of Branch FCD in-charge:** An in-charge of FC Department controls all the duties and responsibilities of FCD. The duties and responsibilities of Branch FCD in-charge are as below:

1. Responsible for overall Branch accounting performance including daily balancing of GL account outstanding appeared in the Daily Balance Sheets and other detailed ledger/ sub-head details etc.
2. Originating depreciation, accrued expenses and other related vouchers.
3. Custodian of stitched and sealed vouchers.
4. Send statements and returns of Head Office and Bangladesh Bank.
5. Supervises the safe keeping of books/computer printouts and vouchers.

6. To complete the double entry requirements the Account in-charge shall pass the adjustment, closing and reversing entries.
7. Attends the reconciliation statement of Banker's and ABBL Head Office Accounts.

One of the important duties other than Branch maintenance is to prepare the statements on regular basis and send them to Head Office and Bangladesh Bank. The list of statements, categories and their submission date is given below:

<b>Sl No</b>	<b>Name of Statement</b>	<b>Category</b>	<b>Submission Date</b>
01	Daily Position – General Ledger – AD-1	Daily	Daily
02	Additional Information for Thursday Position–AW-1	Weekly	1 <sup>st</sup> day of each week
03	Consolidated Detailed Statement of Condition – Profit and Loss	Monthly	5 <sup>th</sup> day of each month
04	Consolidated Condensed Statement of Condition	Monthly	5 <sup>th</sup> day of each month
05	Off-Balance Sheet Items	Monthly	5 <sup>th</sup> day of each month
06	Deposit held by Sector Corporation	Monthly	5 <sup>th</sup> day of each month
07	Supplementary Information on SBS-1 Return	Monthly	3 <sup>rd</sup> day of each month
08	SBS-1	Monthly	5 <sup>th</sup> day of each month
09	Monthly Business Position	Monthly	1 <sup>st</sup> day of each month
10	Reconciliation Statement of Suspense Account	Monthly	5 <sup>th</sup> day of each month
11	Leave Statement	Monthly	15 <sup>th</sup> day of each month
12	Salary Statement	Monthly	25 <sup>th</sup> day of each month
13	Challan Statement	Monthly	10 <sup>th</sup> day of each month
14	SBS-2	Quarterly	15 <sup>th</sup> day of following quarter
15	Statement of Fixed Assets and Depreciation	Quarterly	15 <sup>th</sup> day of following quarter

16	Half yearly and Yearly Statement	-	As per HO requirement
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Every day FCD has to maintain and store five (5) documents of previous day. They are:

1. Daily Position – General Ledger
2. Profit and Loss Statement
3. Reserve Cash proof Sheet
4. Inter Branch Transaction Statement
5. Transaction List

## **Job description**

### **5.FOREIGN TRADE AND REMITTANCE DIVISION**

Foreign exchange means the exchange of currency in terms of goods from one country to another. This is the most well-known and well-organized business uniform in world business. Foreign exchange division includes the following departments:

1. Foreign Trade Department and
2. Foreign Remittance Department.

#### **5.1. Foreign Trade Department:**

Foreign Trade means exchange of foreign currency for the trade purpose between two countries. In other words, Foreign exchange deals foreign financial transactions related to trade or business. Foreign Trade Department has two sections. They are-

- I. Import Section and
- II. Export Section.

Before discussing the Import and Export section, some concepts related to foreign trade should be clarified.

## **Concepts:**

Important concepts of foreign trade as per UCPDC 600 are discussed below:

### **❖ *Importer / Buyer/ Opener/ Applicant:***

Applicant means the party on whose request the credit is issued.

### **❖ *Issuing/ opening bank:***

Issuing bank means the bank that issues a credit at the request of an applicant or on its own behalf.

### **❖ *Exporter/ seller/ beneficiary:***

Beneficiary means the party in whose favor a credit is issued.

### **❖ *Advising / notifying bank:***

Advising bank means the bank that advises the credit at the request of the issuing bank.

### **❖ *Confirming bank:***

Confirming bank means the bank that adds its confirmation to a credit upon the issuing bank's authorization or request.

### **❖ *Confirmation:***

Confirmation means a definite undertaking of the confirming bank, in addition to that of issuing bank, to honor or negotiate a complying presentation.

### **❖ *Complying presentation:***

Complying presentation means a presentation that is in accordance with with the terms and conditions of the credit, the applicable provisions of these rules and international standard banking practice.

❖ ***Negotiating bank:***

The bank that negotiates the bill (draft) of exporter drawn under the credit is known as negotiating bank. If the advising bank is also authorized to negotiate the bill (draft) drawn by the exporter he becomes the negotiating bank.

❖ ***Reimbursing bank:***

If the issuing bank does not maintain any account with a bank who will be negotiating documents under a L/C, then arrangement is made to reimburse the negotiating bank for the amount to be paid under credit from some other bank with which the issuing bank maintains his account. The latter bank is termed as reimbursing bank. An authority to debit his account is sent to the bank where he holds balance advising to honor claims placed by a negotiating bank.

❖ ***Paying bank:***

The bank who effects payment to the beneficiary (as named in the latter of credit) is known as paying bank/drawee bank

❖ ***Letter of Credit:***

Credit means any arrangement however named or described, whereby a bank (issuing bank) acting at the request and the instructions of a customer (the applicant) or of its own behalf.

- 1). is to make payment to or to the order of a third party (beneficiary), or is to accept and pay bill of exchange (drafts) drawn by the beneficiary.
- 2) Authorizes another bank to effect such payment, or to accept and pay such bill of exchange.
- 3). Authorizes another bank to negotiate.

Against stipulated documents, provided that the terms and conditions of the credit are complied with.

❖ ***Undertakings:***

Both the issuing bank and the confirming bank have taken some undertakings. They are-

### **Issuing Bank Undertaking:**

1. Provided that the stipulated documents are presented to the nominated bank or to the issuing bank and that they constitute a complying presentation, the issuing bank must honor if the credit is available by:
  - a. Sight payment, deferred payment or acceptance with the issuing bank.
  - b. Sight payment with a nominated bank and that nominated bank does not pay
  - c. Deferred payment with a nominated bank and that nominated bank does not incur its deferred payment undertaking or, having incurred its deferred payment undertaking, does not pay at maturity.
  - d. Acceptance with a nominated bank and that nominated bank does not accept a draft drawn on it, having accepted a draft drawn on it, does not pay on maturity.
  - e. Negotiation with a nominated bank and that nominated bank does not negotiate.
2. An issuing bank is irrevocably bound to honor as of the time it issues a credit.
3. An issuing bank undertakes to reimburse a nominated bank that has honored or negotiated a complying presentation and forwarded the documents to the issuing bank. Reimbursement for the amount of a complying presentation under a credit available by acceptance or deferred payment is due at maturity, whether or not the nominated bank prepaid or purchased before maturity. An issuing bank's undertaking is to reimburse a nominated bank independent of the issuing bank's undertaking to the beneficiary.

### **Confirming Bank Undertaking:**

1. Provided that the stipulated documents are presented to the confirming bank or to any other nominated bank and that they constitute a complying presentation, the confirming bank must:
  - I. Honor if the credit is available by:
    - a. Sight payment, deferred payment or acceptance with the confirming bank.
    - b. Sight payment with a nominated bank and that nominated bank does not pay
    - c. Deferred payment with a nominated bank and that nominated bank does not incur its deferred payment undertaking or, having incurred its deferred payment undertaking, does not pay at maturity.
    - d. Acceptance with a nominated bank and that nominated bank does not accept a draft drawn on it, having accepted a draft drawn on it, does not pay on maturity.
    - e. Negotiation with a nominated bank and that nominated bank does not negotiate.

- II. Negotiate, without recourse, if the credit is available by negotiation with the confirming bank.
2. An confirming bank is irrevocably bound to honor or negotiate as of the time it adds its confirmation to the credit.
3. An confirming bank undertakes to reimburse a nominated bank that has honored or negotiated a complying presentation and forwarded the documents to the confirming bank. Reimbursement for the amount of a complying presentation under a credit available by acceptance or deferred payment is due at maturity, whether or not the nominated bank prepaid or purchased before maturity. An confirming bank's undertaking is to reimburse a nominated bank is independent of the confirming bank's undertaking to the beneficiary.
4. If a bank is authorized or requested by the issuing bank to confirm a credit but is not prepared to do so, it must inform the issuing bank without delay and may advise the credit without confirmation.

## I. Import Section:

### **Import Mechanism**

To import, a person should be competent to be 'Importer'. According to Import and Export Control Act, 1950, the Office of Chief Controller of Import and Export provides the Import Registration Certificate (IRC) to the importer. After obtaining this, person has to secure a Letter of Credit Authorization (LCA). And then a person becomes a qualified importer. He is the person who requests or instructs the opening bank to open an L/C. He is also called opener or applicant of the credit.

### **Things Are Done In Import Mechanism**

In broader aspect the major responsibilities that are performed here are —

- ❖ L/C Issuing.
- ❖ L/C Amendment (if necessary)
- ❖ Lodgement.
- ❖ Retirement of documents.
- ❖ Import Financing.

#### ❖ **L/C Issuing:**

This is the first thing to be done for import. Already the definition of L/C is discussed. Now, the important types of L/C is discussed below:

### **Classification of L/C:**

Generally L/C has two types. These are

- ❑ Clean letter of credit
- ❑ Documentary letter of credit

### **Documentary is two types**

- ❑ Revocable credit
- ❑ Irrevocable credit

### **Revocable credit**

A revocable letter of credit may be cancelled or modified after its date of issue, by the issuing bank.

### **Irrevocable credit**

An irrevocable letter of credit includes a guarantee by the issuing bank that if all of the terms and conditions set forth in the letter are satisfied by the beneficiary, the letter of credit will be honored.

There are three types of L/C offered by Kakrail Branch, AB Bank. They are:

- ❑ Sight L/C
  - ❑ Deffered / Usance L/C
  - ❑ Back -to -Back L/C
- 
- ❑ **Sight L/C:** Payment must be made within five (5) working days after the documents has been received from the exporter.
  - ❑ **Deffered / Usance L/C:** Payment must be made on or after the due date i.e. shipment date or Bill of Lading date. Deffered L/C usually opened for 90 days.
  - ❑ **Back -to -Back L/C:** Usually, this L/C is opened by the exporter. If exporer needs to import goods or equipments to manufacture the ordered goods, then he may import those goods or equipments by opening a L/C against this mother L/C. The value of the back-to-back L/C can be 80 percent of the mother L/C.

Before issuing a L/C the buyer and the seller located in different countries, a “sales contract” providing for payment by documentary credit. As per requirement of the seller the buyer then instructs the bank – the issuing bank – to issue a credit in favor of the seller (beneficiary). Instruction/Application for issuing a credit should be made by the buyer (importer) in the issuing

bank's slandered form. The credit application, which contains the full details of the proposed credit, also serves as an agreement between the bank and the buyer. After being convinced about the necessary conditions contains in the application form and sufficient conditions to be fulfilled by the buyer for opening a credit, the opening bank then proceeds for opening the credit to be addressed to the beneficiary.

### **Check Lists for Issuance of Import L/C:**

Usually, Kakrail Branch, AB Bank issues import L/C for both the regular and for new importers. For new importers, they send a request for approval to open L/C. After the approval, bank will open L/C with 100 percent margin, but for their regular importers they open L/C with 10 percent margin. What will be the margin is decided by the Head Office.

Followings are the important documents to be obtained by the issuing bank before opening an import L/C:

1. Head Office approval (For new importer)
2. Proforma Invoice/ Indent duly accepted by the Importer and signature verified thereof
3. L/C application form duly filled in and applicant's signature verified thereof
4. Gurrantors's signature in the L/C application form, if required
5. Insurance Cover Note with monet receipt along with the proof of payment of Insurrance Premium.
6. Insurance checked for value (insured amount must be Indent/ PI value plus 10%) validity, goods, mode of transport,shipment from and to etc.
7. IMP Form duly signed
8. LCA Form properly filled in and duly signed
9. Valid IRC held
10. Membership Certificate from Chamber of Commerce/ Business Association
11. VAT Registration Certificate
12. Up to date Income Tax Certificate
13. No outstanding overdue Bill of Entry/ NOC from previous Bank in case of new customer
14. Chech Bangladesh Bank Circular in case of import through land port and fulfill the requirements
15. Check the goods that are not banned/ restricted item as per Import Policy/ Public Notice

16. Check country of origin and no import to made from banned countries
17. Undertaking – ND clause
18. Undertaking – Rate fluctuation
19. Undertaking – Non-incorporation of add confirmation against the L/C applied for
20. Check availability, shipment and expiry of Export L/C in case of Back-to-Back L/C (under liened)
21. Margin including all L/C related charges realized
22. Updated Supplier's / Beneficiary,s Credit Report.

### **Pre-shipment Inspetion:**

Imports all items into Bangladesh except ready-made garments have been subject to compulsory pre-shipment inspection by 3 zone wise govt. appointed inspection agencies. To ensure pre-shipment inspection besides incorporating the inspection clause and nominating respective inspection agency in the L/C is mentioned. If PSI clause incorporated in L/C, issuing Bank sends the following documents to rhat inspection agency along with the request letter:

1. Photocopy of VAT Registration Certificate : Duly attested
2. Photocopy of TIN Certificate : Do
3. Photocopy of Marine Cover Note : Do
4. Photocopy of Proforma Invoice : Do
5. Photocopy of Letter of Credit : Do

### **Desk Work**

#### **a. Register Entry**

- Then the particulars of L/C are recorded in the L/C opening register - Date and L/C number
- Name of the party
- Amount in Tk. And foreign currency
- Name of advising bank
- Expiry dates.

- Percentage of margin and amount of margin
- Amount of commission, handling charge, postage charges, SWIFT charges.

#### **b. Bangladesh Bank Entry**

Another entry is made to L/C Monitoring cell of Bangladesh Bank through its web site.

#### **Transmitting L/C**

After securitization of the L/C application and authorization L/C is transmitted to the advising bank. Letter of credit can be transmitted to the advising bank through three methods. They are in Telex, Courier, or **SWIFT (Society for Worldwide Inter Telecommunication Network)**. In ABL the most common form of transmitting is SWIFT. L/C is disposed in the following manner:

- First two copies sent to the advising bank original for beneficiary and second copy for advising bank.
- One copy to the reimbursing bank if this bank is other than the negotiating/advising bank with — reimbursing instruction
- One copy to Head office
- One copy is sent to the importer
- One copy is sent to the Bangladesh Bank.
- One copy is sent to the C.C.I.&E
- One copy is retained as office copy.

Exporter receive the L/C through the advising bank. Receiving L/C, exporter manufactures the goods as per the requirements and ships it before due date. If any amendmand is required, exporter contacts with the importer . If the importer agrees to do so, the issuing bank then amendment the L/C.

#### **❖ Amendment:**

Parties involved in a L/C, particularly the seller and the buyer cannot always satisfy the terms and conditions in full as expected due to some obvious and genuine reasons. In such a situation, the credit should be amended. Bank transmits the amendment by SWIFT or by post to the advising bank. If the L/C is amended, service charge and telex charge is debited from the party account accordingly.

Amendment can be done for various reasons under the guideline of F. Exchange. Usually it is done for the reasons below –

- Extension of date of shipment
- Extension of draft amount within L/C limit.
- Change of specification of commodities, price or quantity to be imported.

After shipment of goods, the exporter prepares the required documents and submit it to advising bank for payment. After shipment, exporter submits the following documents for negotiation:

- “Bill of Exchange
- Bill of Lading
- Insurance Policy/ Certificate
- Certificate of Origin
- Inspection Certificate
- Commercial Invoice
- Packing List
- Full set of shipping documents

The advising bank scrutinizes the documents and advised it. Advised documents are then send to issuing bank through mail.

❖ **Lodgement:**

Lodgment means payment of import bills or transfer of funds for import bills. Here L/C issuing bank will arrange to make payment against L/C through reimbursement bank or any other way. Through SWIFT a telex message is transmitted to the correspondent bank ensuring that payment is being made.

After scrutinizing the import-negotiating document, if no discrepancy is found then it treated to be accepted after the end of five banking days for the day of receipt of the document. But if any discrepancy is found then the banker inform it to the importer that whether be accept the bill with discrepancies or not. If the importer does not accept, the banker informs it to the negotiating bank within seven banking days from the date of receipt of the documents, otherwise it is treated to be accepted and the opening bank must bound to pay.

Usually the payment is disbursed through creating a new liability, BLC (Bills under Letter of Credit). Thus the amount stands advance on behalf of the importer. After the documents received from the negotiating bank then — the shipping documents is then stamped with BLC number & entered in the BLC register. In case of Sight L/C the BLC is created and for Usance L/C LTR (Loan against Trust Receipt) is created.

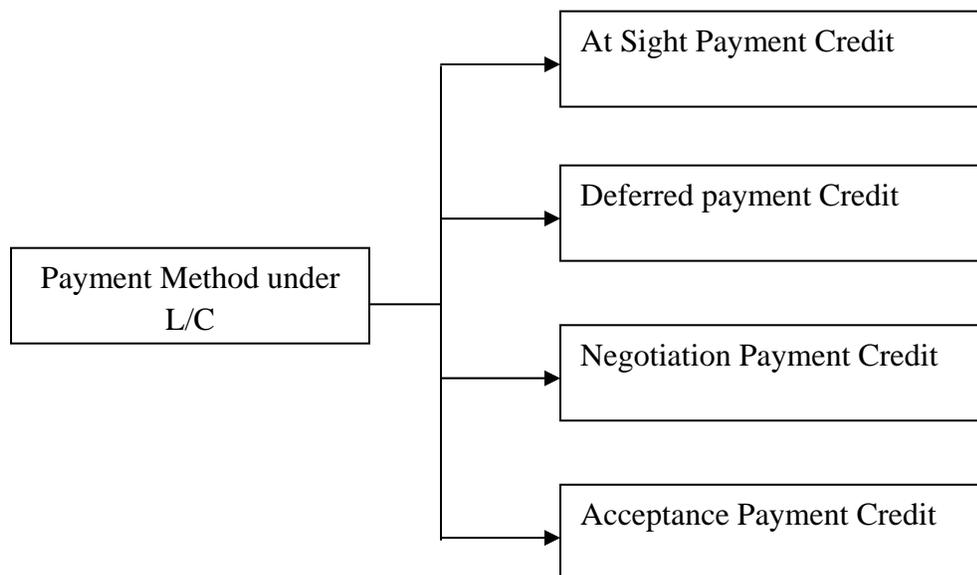
### Steps involved in Lodgment

When the scrutiny of import bills is over the steps should be taken for lodgment:

- At first all the particulars of the document are entered in BLC register BLC No. Seal is given on all the copies of the received document.
- Convert the foreign currency into Bangladeshi currency.
- Reverse the contingent liability and entry in the liability register.
- Prepare Lodgment voucher
- Send IBCA to the Head Office
- Entry is made to L/C Monitoring cell of Bangladesh Bank through its web site.
- Make initiation to the import.

### Modes of payments of Export Bills under L/C

The most common methods of payment under a L/C are as follows:



## **Sight Payment Credit**

In a Sight Payment Credit, the bank pays the stipulated sum immediately against the exporter's presentation of the documents.

## **Negotiation Credit**

In Negotiation credit, the exporter has to present a bill of exchange payable to him in addition to other documents, which the bank negotiates.

## **Deferred Payment Credit**

In deferred payment the bank agrees to pay on a specified future date or event, after presentation of the export documents. No bill of exchange is involved. In NCCBL, payment is given to the party at the rate of D.A 60-90- 120-1 80 as the case may be. But the Head office is paid at T.T dean rate. The difference between the two rates is the exchange trading for the branch.

## **Acceptance credit**

In acceptance credit, the exporter presents a bill of exchange payable to him and drawn at the agreed tenor (that is, on a specified future date or event) on the bank that is to accept it. The bank signs its acceptance on the bill and returns it to the exporter. The exporter can then represent it for payment on maturity. Alternatively he can discount it in order to obtain immediate payment.

## **❖ Retirement of Documents:**

After lodgment the issuing bank will send the importer an intimation regarding the document arrival notice. On intimation the importer calls on the bank's counter requesting retirement of the shipping documents against payment to the debit of their account by the bill amount and other charges payable. Steps involved in retirement are—

- Calculation of interest if any
- Preparation of the Memo, Bill amount, Interest commission, overdue interest if any, Agents charges, postage etc
- Passing vouchers.
- Entry in the register
- Endorsement is made on the back of the bill or exchange as 'Received Payment'
- On the back of bill of lading endorsed to the effect that 'Please deliver to the order of AB Bank, Kakrail Branch' under two authorized signatures of the bank
- Acknowledgement received on the office copy of the cost memo from the importer in his authorized agent.
- Filling of the office copy.

Then the following documents are delivered to the importer to release the goods from the port authority:

1. Bill of exchange
2. Commercial Invoice
3. Packing List
4. Bill of Lading
5. Transport (Shipping) Documents
6. Certificate of Origin
7. Duplicate copy of LCA Form
8. Copy of L/C
9. Copy of Proforma Invoice
10. Insurance Policy/ Certificate
11. Clear Report of Findings (CRF), if applicable.

❖ **Import Financing:**

**1. Bills under Letter of Credit (BLC):**

Advances allowed for retirement of shipping documents and release of goods imported through L/C taking effective control over the goods by pledge fall under this type of advance. When the importer failed to pay the amount payable the exporter against import L/C, then ABBL gives Bills under Letter of Credit (BLC) to the importer. The importer will bear all the expenses i.e. go down charges, insurance fees, etc. and the ownership of the goods is retaining to the bank and the outstanding Bills of Exchange is transferred to Bills under Letter of Credit (BLC) account. Usually the loan is granted and allowed 21 days time to make payment.

**2. Loan Against Trust Receipt (LTR):**

This is excluded by the Borrower(s) to release shipping documents for taking delivery of merchandise, which is hypothecated, to bank. The goods are handed over to the importer under trust with the arrangement that sale proceeds should be deposited to liquidate the advances within a given period. The borrower(s) agree to take delivery of the merchandise as the banks agent(s) and acknowledge(s) that the bank remains owner of the goods and they will be holding the goods on

behalf of the bank as trustees until complete repayment of the debts to the bank. Usually the loan is granted on the basis of trust and is allowed 60-90 days time to make payment.

For giving these types of loan, officer makes loan proposal and sends it to H/O for approval. After getting approval from H/O, bank grants loan in the form of LTR. It's needless to say that bank only deals with the documents, not with goods & services in case of foreign exchange business.

Beside these two there are some tools for import financing .These are

- ❖ CC Pledge
- ❖ CC Hypo etc.

## II. Export Section:

### **Things Done in Export**

In broader aspect the major responsibility that re performed here are —

- ❖ L/C Advising
- ❖ Documents Collection
- ❖ Documents negotiation
- ❖ Export financing,

### **Parties Involves In Export L/C**

1. L/C issuing Bank
2. Importer
3. Exporter L/C advising Bank
4. Negotiation Bank
5. The Paying / Reimbursing Bank

### **Export Procedures & Formalities**

The export trade of the country is regulated by the Imports and Exports (control) Act, 1950. There are a number of formalities, which an exporter has to fulfill before and after shipment of goods. These formalities or procedures are enumerated as follows

## **Registration of the Exporter**

The foremost requirement to engages in the business of import and exports registration with the Chief Controller of Imports and Exports (CCI&E). For this purpose an application in the prescribed, form is require to be submitted to that office along with the following documents —

- Trade license issued by the municipal Authority.
- Nationality Certificate from the Local Authority.
- Bank Certificate
- Income Tax Clearance Certificate.
- Payment of Registration fees and renewal fees in a Treasury Chalan.
- Copies of Contract or L,/C (if any)

## **Export Registration Certificate (ERC)**

The exports from Bangladesh are subject to export trade control exercised by the Ministry of Commerce through Chief Controller of Imports and Exports (CCI&E). No exporter is allowed to export any commodity permissible for export from Bangladesh unless he is registered with CCI & E and holds valid Export Registration Certificate (ERC). The ERC is to be renewed every year.

## **Export Permit Form (EXP)**

After having the registration, the exporter applies to TBL with the trade license: ERC, and the Certificate from the concerned Government Organization to get EXP. the bank is satisfied, an EXP is issued to the exporter. An EXP contains the following particulars

- Name & address of the authorized dealer
- Particulars of the commodity to be exported with code
- Country of destination
- Port of destination• Quantity
- L/C value in foreign currency
- Terms of sales
- Name & address of the importer
- Bill of lading
- No & date
- Port of shipment
- Land custom post• Shipment date
- Name & address of the exporter

## **Securing the Order**

Upon registration, the exporter may proceed to secure the export order. Contracting the buyers directly through correspondence can do this.

### **Signing of the Contract:**

- Description of the goods
- Quantity of the commodity
- Price of the commodity
- Shipment
- Insurance and marks
- Inspection
- Arbitration

### **Receiving Letter Of Credit**

After getting contract for sale, exporter should ask the buyer for Letter of Credit (L/C) clearly stating terms and conditions of export and payment. The following are the main points to be looked into for receiving / Collecting export proceeds by means of Documentary Credit:

- The terms of the L/C are in conformity with those of the contract
- The L/C is an irrevocable one, preferably confirmed by the advising bank.
- The L/C allows sufficient time for shipment and a reasonable time for registration
- If the exporter wants the L/C to be transferable, divisible and advisable, he should ensure those stipulations are specially mentioned in the L/C.

### **❖ Advising L/C:**

When export L/C is transmitted to the bank for advising, the bank sends an Advising Letter to the beneficiary depicting that, L/C has been issued.

### **Shipment of Goods**

The exporter make and shipment of goods as per the agreement.

### **❖ Documents Collection:**

Exporter prepares the required documents mentioned in L/C, are as such:

- Bill of Exchange
- Bill of Lading
- Insurance Policy/ Certificate
- Certificate of Origin

- Inspection Certificate
- Commercial Invoice
- Packing List
- Full set of shipping documents

❖ **Documents Negotiation:**

These documents should be submitted to the bank for negotiation:

1. Export L/C
2. EXP form
3. Commercial invoice
4. Bill of Exchange
5. Certificate of origin# Bill of Lading
6. Packing list# Inspection certificate
7. Insurance document
8. Any other document as per L/C

Respective officer must scrutinize all the documents with reasonable care to confirm whether the terms and conditions are right or wrong.

**Realization of Export Proceeds**

The period prescribes by the Bangladesh Bank within which exporter must receive full foreign exchange proceeds of exporter in four months if the receipt of the full proceeds of any shipment is delayed beyond the period without a special authority from the Bangladesh Bank. The exporter will be liable to action under FER Act, 1947.

❖ **Export Financing:**

An exporter is one who exports the goods to another customer whether in domestic country or in abroad. In exporting the stipulated goods he may require financing. So export financing may be required at two stages.

- I. Pre-shipment credit
- II. Post shipment credit,

## **I. Pre-shipment Credit**

Pre shipment credit, as the name suggests, is given to finance the act of an exporter prior to the actual shipment of the goods for export. The purpose of such credit is to meet working capital needs starting from the point of purchasing of raw materials to final shipment of goods for export to foreign country. Before allowing such credit to exporters the bank takes into consideration about the credit worthiness, export performance of the exporters, together with all other necessary information required for sanctioning the credit in accordance with the existing rules and regulations.

An exporter can obtain credit facilities against lien on the irrevocable, confirmed and unrestricted export letter of credit in form of the followings:

- i. Packing credit (PC).
- ii. Back-to-Back letter of credit.

### **Packing Credit (PC)**

Packing Credit is essentially a short-term advance granted by a Bank to an exporter for assisting him to buy, process, manufacture, pack and ship the goods. This type of credit is sanctioned for the transitional period starting from dispatch of goods till the negotiation of the export documents. Exporter can get PC up to 10% of the Export L/C value and has to be liquidated by negotiation / purchase of Bills of Exchange. The drawings of P.C are required to be adjusted fully once within a period of 180 days.

### **Back-To-Back Letter Of Credit:**

A back-to-back letter of credit, a new L/C (an Import L/C) is opened on the basis of an original L/C (an Export L/C). Under the Back-to-Back concept, the seller as the Beneficiary of the First L/C offers it as a 'security to the advising Bank for the issuance of the second L/C. The Beneficiary of the Back-to-Back L/C may be located inside or outside the original Beneficiary's country. As per instruction of the central bank commercial banks are rendering back-to-back L/C at nil margins.

## **II. Post-shipment Credit:**

This type of credit refers to the credit facilities, extended to the exporters by the banks after shipment of the goods against export documents. Necessity for such credit arises, as the exporter cannot afford to wait for a long time for without paying manufacturers / suppliers. Before extending such credit, it is necessary on the Part of banks to look into carefully the financial soundness of exporters and buyers as well as other relevant documents connected with the export in accordance with the rules and regulations in force, Banks in our country extend post shipment credit to the exporters through-

- i. Foreign Documentary Bills Purchased (FDBP).
- ii. Local Documentary Bills Purchased (LDBP).

## **5.2. Foreign Remittance Department:**

ABBL, Kakrail Branch is an authorized dealer of foreign exchange. Their dealing in foreign exchange involves buying and selling of foreign exchange covering inward remittances received from abroad and outward remittances sent abroad. There are two types of remittance:

1. Inward remittance
2. Outward remittance

### **1. Inward Foreign Remittance:**

Inward remittance covers purchase of foreign currency in the form of foreign T.T., DL, and bills etc. sent from abroad favoring a beneficiary in Bangladesh. Purchase of foreign exchange is to be reported to Exchange control Department of Bangladesh bank on Form –C.

The bank also give service to the customer through-

- Cash Express
- Instant Cash
- Remit Master
- AFX Fast Remit
- Ria
- X-press money.

Through these exchange houses money come from abroad to Bangladesh the customer can collect the money by submitting specific document.

## **2. Outward Foreign Remittance:**

Outward remittance covers sales of foreign currency through issuing foreign T.T. Drafts etc. as well as sell of foreign exchange under t and against import hills retired. Sale of foreign exchange is reported to Excel control Department of Bangladesh flank on form T/M.

Foreign exchange means foreign currency and includes all deposits, credits and balances payable in foreign currency as well as foreign currency instruments such as Drafts, T.Cs, bill of exchange, and Letters of Credit Payable in any Foreign Currency. All foreign Exchange transactions in Bangladesh are subject to exchange control regulation of Bangladesh Bank.

## **Foreign Account of Bank:**

In order of effect foreign exchange transactions, bank maintains accounts in their own name in various foreign currencies, with banks overseas. These accounts are credited with the claims receivable overseas in the respective currency of the country concerned, and debited with the payments denominated in the respective currency of the country in which the accounts are maintained.

## **NOSTRO ACCOUNT**

“Nostro” is a Latin meaning “OURS”. So Nostro account means “Ours” account. Nostro accounts are just reflection or minor accounts showing the position as it obtains in the foreign currency account with each correspondent bank. In the Nostro account, the bank will show the foreign currency accounts of each transaction and alongside the respective items the domestic currency equivalentents are indicated. When the bank the domestic currency equivalentents are indicated. When the bank makes a purchase of foreign currency, the foreign bank will credit the Néstro account. When it makes a sale it will result in a debit in the Nostro account. In the mirror account the purchase will be debited and sale credited. The Nostro accounts reflect what the foreign correspondent owes to the bank and what the home bank owes to the foreign bank.

## **VOSTRO ACCOUNT**

The “Nostro” account is termed as “ Vostro” account by the correspondent bank. The word “Vostro” means “YOURS”. A Vostro account or “Your Account” is also called a local currency with local banks and such accounts are called Vostro accounts. Generally Vostro accounts are maintained by foreign correspondent banks on a reciprocal basis to effect payment as well as receive payments on behalf of their clients.

### **Functions performed in this department:**

1. Issuance of TC, Cash Dollar/Pound.
2. Issuance of FDD,FTT & purchasing, payment of the same
3. Passport endorsement.
4. Encashment Certificate.
5. F/C Account opening & filing.
6. Maintenance of ledger of Cash Dollar, FC Deposit A/C & TC.
7. Preparation of all related statement, Voucher & posting
8. Preparation of Weekly, Monthly, Yearly Statement for Bangladesh Bank return timely.
9. Attending all related correspondence to other Bank or Institution.

## **6. Credit Management division**

Generally credit is the confidence of the lender in the ability & willingness of the borrower to repay the loan at a future date. Credit –Granting decisions are a major task in financial management of the firm. The policies necessary for the proper management of credit granting are extremely important and need to be carefully formulated, as the questions involved in credit granting are complex and their impact is substantial. Among the policy questions that must be addressed are:

- How much information should the firm collect on each credit applicant?
- How should the credit – related parameters of credit applicants be estimated (borrowers selection)?

**6.1.** There are several sources of credit information about potential customers, proceeding from the least costly to the most costly.

**The Seller's Prior Experience with the Customer:** One of the cheapest and most reliable sources of information about expected future payment patterns is that customer's history of dealings with the seller. If the customer has paid promptly for the last 20 orders, it is very likely that the customer will pay promptly for the twenty-first. To obtain information on the customer's history of payments to the seller, the credit analyst queries the seller's database of prior customer payments.

**Credit Ratings and Reports:** Several firms are in the business of collecting and selling credit-related information to sellers. Some of these investigation firms report on wide varieties of buyers while others report only on buyers in a single industry. Most of these agencies provide several types of service. They issue ratings based on buyer's financial strength and payments to sellers. They provide reports, which may include the buyer's financial statements and results of an investigation into legal records regarding the buyer's business dealings. They collect and distribute trade clearances, which are lists of amounts owing, amount past due and histories of payments by buyers to their trade creditors.

**Personal Contact with the Applicant's Bank and Other Creditors:** A more expensive (but very reliable) source of information is the applicant's current creditors and its bank. To obtain such information, the analyst may personally contact these sources to discuss their experiences with the applicant. In this way, the analyst can verify the information in credit agency reports and gain other insights that are not available from these reports. Unfortunately, such an investigation usually quite time consuming.

**Analysis of the Applicant's Financial Statements:** Any credit applicant's ability to pay is in great part dependent on its financial condition. Analysis of this financial condition can thus considerably aid in credit evaluation. Financial statements must first be obtained this may entail significant effort if the applicant firm is not publicly traded. These statements must then be examined and analyzed. This analysis often begins by making adjustments to these statements to utilize accounting conventions other than those chosen by the applicant's accountants. Such adjustments are made if the analyst believes that the conventions used did not do the best job of portraying the economic health of the firm. . Once these adjustments are

made, ratio analysis and / or statistical analysis is then applied to these statements to assess the financial health of the applicant.

**Customer Visit :**One very expensive option in the collection of information is is for the credit analyst to visit the applicant. An on- site viewing of the applicant’s facilities and discussions with the applicant’s management can provide insights and information that cannot be obtained in other ways. For example, the credit analyst can obtain impressions on the competence of the applicant’s management and on the physical condition of the applicant’s plant, service facilities and equipment.

There are not specific credit agencies in our country, which can assist banks by giving reports on parties/clients. Bangladesh bank has recently opened. “Credit information Bureau” through which some information regarding borrowers are supplied. CIB must be compulsory for that compulsory for that loan which covers the range above Tk.50 000.

**6.2 Borrowers Selection:** In credit granting decision it is the credit analyst’s job to synthesize all information that has been collected and reach a judgment regarding the applicant’s creditworthiness. One way of organizing this information is characterizing the applicant along five dimensions. These dimensions are called the Five Cs of credit. In all business dealings, officers and employees must be guided by the principles of honesty and integrity and safe- guard the interest of the shareholders and the depositors of the banks. They should strictly adhere to the Banking Laws, Rules and Regulation of the GOVT. of Bangladesh and the instructions issued by the Bangladesh Bank from time to time, which affect the business practice of the Bank

In formulating a credit judgment and making Quality Credit Decisions, the lending officer must be equipped with all information needed to evaluate a borrower’s character, management competence and capacity, ability to provide collaterals and external conditions which may affect his ability in meeting financial obligations

**Capital:** -The evaluation of the applicant’s capital refers to an analysis of the applicant firm’s financial position. What are the applicant firm’s financial strengths? What are their weaknesses?

-To assess the capital dimension, the credit analyst considers the data obtained from the applicant's financial statements. The usual procedure is to perform an extensive ratio analysis, comparing the applicant's financial ratios to ratios for the applicant's industry and performing trend analysis of the applicant's ratios over time.

**Character:** In assessing character, the credit analyst considers all the information that relates to willingness to pay by the applicant's management. What is the applicant's history of payments to the trade? Has the firm defaulted to other trade suppliers? Does the applicant's management make a good-faith effort to honor debts as they come due? Information in these areas bears on the analyst's assessment of the applicant's character.

**Collateral:** If the applicant experiences financial difficulty, it may be forced to liquidate. In such a situation, the recoveries to trade creditors will depend on (1) the recoveries on assets sold, (2) the amount of debt owned by the firm and (3) the extent to which these debts are secured. If the firm liquidates, the recoveries on assets that are security for debt will go to the holders of that secured debt. That is, the secured creditors get paid first from the revenues of selling the assets that have been granted to them as security. Since, in general, it is very difficult for trade creditors to obtain secured positions, this means that the recoveries to trade creditors are significantly lower when the applicant has financed by using secured borrowings. Information on secured borrowings is gleaned from the applicant's financial statements, from the applicant's bank, from credit reports on the applicant, or directly from conversations with the applicant.

**Capacity:** -This dimension has two aspects: management's capacity to run the business and the applicant firm's plant capacity. Management's capacity to run the business relates to the competency (ability) of the management personnel in the applicant's operations. Any information relevant to this capacity is assessed, including personal impressions, the history of success or failure by the managers running the applicant business, the number of years that the applicant has been in business, and so forth. The better is management's capacity to run the firm; the lower is the chance of default.

-Physical capacity refers to the value and technology of the applicant's production or service facilities. The more up-to-date and well maintained are the applicant's facilities, the more likely that the applicant will be able to stay in business and to take advantage of business upturns.

**Conditions:** These are the economic conditions in the applicant's industry and in the economy in general. If there is a good deal of foreign and domestic competition in the applicant's industry, the possibility of failure and default to trade creditors is larger, since profit margins are likely to be lower. If the economy in general is undergoing a contraction, failures are more likely to occur than during an expansionary period.

### **6.3 Credit report /Credit application**

Credit report is an essential document through which a banker can judge the feasibility of a proposal for sanctioning loan. This report is prepared for getting information regarding all the "C"s mentioned above. Credit report provides a complete picture of the borrower's credit worthiness by focusing the following elements:

- Name of the borrower
- Nature of business involvement
- Age of business
- Experience in the trade/business
- Amount of loan required
- Purpose of borrowing
- Account Performance.
- Investment made in the business
- Duration of loan source of repayment
- Means
- Security offered for the loan
- Management Stability
- Business Outlook
- Liquidity
- Profitability of the transactions
- Market reputation, personal banking etc. of the borrowers.

## **7. Recommendation :**

In considering the customer satisfaction on the service the following recommendations are made, which will benefit both ABBL and its customers.

- ❖ In case of reliability customers are not satisfied. ABBL should ensure that the customers are not only getting accurate information but also the promised service in the first and promised time so that customer can highly rely on our service.
- ❖ In case of responsiveness the customers are dissatisfied. So, necessary steps should be taken for improvement. Giving the prompt solution or informing the customer about the action taken time and also proper maintenance of this informed action taken time could improve the customer satisfaction from very to high level.
- ❖ Again in case of assurance, right solution should be given so that the customer feels more confident after getting our service.
- ❖ In AB Bank kakrail branch they have not enough source for export section,so they should more carefull for that
- ❖ Though customers are very satisfied with the empathy. Proper warmly greetings, more polite and helpful behavior could bring the highly satisfied customer.

ABBL should be more conscious to deal with its customers as the customers have now more choice to bank with and there are institutions that are intensifying competition by focusing more on online customer service.

## **8. Conclusion**

AB Bank Limited are doing its business successfully, which indicates their well performance in foreign exchange. Because of their well performing foreign exchange the bank has been able to reduce its bad debt every year. AB Bank provides different facilities. It has SWIFT facilities. Very few bank in our country offer this. AB Bank adopt online banking, which bank operates for their customers' facilities. The more effectively banks handle foreign exchange business, the more likely they will become productive.

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