

**National Bank Limited and its Foreign Exchange Operations**



**Internship Report On**  
**National Bank Limited and its Foreign Exchange Operations**  
**BUS 400 – Internship**

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## Letter of Transmittal

May 30, 2017

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

This is the report of my internship which is a part of the BUS 400 (Internship/Thesis) course. It is a matter of pleasure and privilege that I can submit the report where the project topic of my report was “**National Bank Limited and its Foreign Exchange Operations**”. As a requirement for the BBA Program I have conducted research on this topic and prepare this report.

The report is consisted of two parts. One part is overview of National Bank Ltd. and its products and services. The another part is NBL’s foreign exchange operations. I have given various information from various sources and tried my best to make the report valuable. I have also tried to follow the instructions that you have given to me in preparing this report. I believe that you will be satisfied with the contents of this report and it will also serve the purpose of the internship program.

I will be grateful to you for your supervision and guidance at the preparing of my report. I will also be grateful to you if you kindly go through my report and evaluate my performance.

My efforts will be successful if the report can serve its purpose.

Yours sincerely,

.....Md. Ashikur Rahman

ID: 09204109

BRAC Business School,

BRAC University

## Acknowledgement

At first I would like to express my deep gratitude to Allah for giving me an opportunity to do internship and complete my report which is a requirement for the BBA Program. Then I would like to pay respect to my honorable Internship Supervisor **Mahreen Mamoon**, Assistant Professor, BRAC Business School for her kind supervision, guidance and encouragement which have enabled me to materialize this report properly.

I also want to express honor to all the Executives and Officers of National Bank Limited (NBL), Mohakhali Branch, who have helped me by giving various information in preparing this report. Of them, I would like to mention the name of:

1. Ms. Rokhana Parvin (Vice President & Branch Manager)
2. Mr. Asif Iqbal (Senior Assistant Vice President & Credit In charge)
3. Ms. Sultana Parvin (Senior Assistant Vice President & Foreign Exchange In charge)
4. Ms. Sufia Begum (Senior Assistant Vice President & Import In charge)
5. Mr. Mamun Rahman (Assistant Vice President)
6. Mr. Ghulam Maola (Senior Principal Officer & Credit Officer)
7. Mr. Nazmul Hassan (Principal Officer, Offshore Banking Unit In charge)
8. Mr. Saker Uddin Bhuiyan (Senior Executive Officer)
9. Mr. Tanzim Rahman (Executive Officer)
10. Mr. Ariful Malek (Junior Officer)

Their effort really helps me in preparing this report.

I will always be thankful to them who are the authors of the books, journals, articles and term papers from which I have taken help and get valuable knowledge to prepare this report.

I am grateful to my beloved parents and also to my friends and well-wishers who always give me inspiration and advice to become successful in life. Finally, I want to thank everybody who helped me directly or indirectly in preparing this report.

## **Executive Summary**

*This is the report of my internship for which I have worked in National Bank Limited (NBL), Mohakhali Branch in Summer 2016 semester for 3 months as an internee. The project topic of my report was “National Bank Limited and its Foreign Exchange Operations”. For the project I have collected information from various sources. In the foreign exchange operations part I have discussed about export and import procedures. In the import procedure part I have discussed about LC issuing and transmitting, LC amendment, scrutiny of documents, lodgment and retirement. In the export procedure part I have discussed about LC advising, issuing EXP form, collection of documents and checking and export bill negotiation. I have also discussed about foreign remittance, LC procedures, LC types and parties and about some other concepts.*

*In the organization part I have given the history, mission, vision, values and strategies of NBL. I have also discussed the products and services of National Bank Ltd.. I have given the key responsibilities of my job. I have also given 5 years performance data of NBL’s foreign exchange operations where we can see that in 2015 NBL’s export, import and foreign remittance all have decreased.*

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# **1. Introduction**

## **1.1 Origin of the report**

The internship program is a mandatory part of the BBA Program where a student has to work in a particular organization to gain some knowledge, skills and gather experience about the organization, the sector and also about the business world. After completion of the internship the students have to submit report where the reflection of their learning and gained experience will be focused.

I did my internship for 3 months in Summer 2016 semester and my organization is National Bank Limited and I was in Mohakhali branch. Here in this report I have tried to give an overview of National Bank Ltd., its products and services, and discussed about some basic concepts of foreign exchange operation under the supervision of Mahreen Mamoon, Assistant Professor, BRAC Business School, BRAC University.

## **1.2 Objective of the study**

The main objective of my study is to gain knowledge on various banking operation and I give more focus on the foreign exchange operations here. The objectives of my study are:

- To get overall idea about National Bank Ltd., its history, mission, vision, values, strategies, management hierarchy.
- To know about the products and services of National Bank Ltd.
- To give some performance data of NBL and analyze it.
- To gain some conceptual understanding on banking operations.
- To provide some suggestions for NBL to gain more success in the future.
- To understand the management condition of National Bank Ltd. and providing some suggestions.

### **1.3 Scope of the study**

This study will create opportunity to know about the following things:

- History, mission, vision, values, strategies, management hierarchy of NBL
- Products and services of NBL
- Foreign exchange operations of NBL
- Performance in foreign exchange operations

### **1.4 Methodology of the study**

The main purpose of this report is to give a view of National Bank Ltd. and the basic understanding of foreign exchange operations. To do my report the employees of foreign exchange division of NBL, Mohakhali Branch helped me a lot. I have collected information from them by discussion. I have also taken information from NBL Annual Report, 2015 and also from their website.

### **1.5 Primary sources of data**

- By observing the banking operation procedures
- By discussion with the employees of the bank
- Face to face conversation with the clients
- Practically observing various foreign exchange related files

### **1.6 Secondary sources of data**

- Annual Report-2015 of National Bank Ltd.
- Information from the websites
- Various manual information
- Selected reference books

### **1.7 Limitations of the study**

I have tried my best to prepare this report informative and valuable. Even after this there were many limitations in doing my study. These are:

- As it is a bank, the operations are very much complex. So, in a 3 months internship is so difficult to get enough idea about banking operations.
- Sometimes, employees were too busy for which reason they cannot talk with us.
- Though we have to take organizational data from the website and annual report and not having the latest annual report is reason I cannot gave the latest information of the organization.
- With foreign exchange various types of financing activities are also associated. But with in this short time it was not possible to understand.
- Foreign exchange operation requires various rules and regulations to follow. Understanding these can help to gain in depth knowledge about foreign exchange. But it is not possible to understand about these within this short time.

## **2. Overview of National Bank Ltd.**

### **2.1 HISTORY of National Bank Ltd.**

National Bank Ltd. (NBL) is a successful financial institution of Bangladesh and also the first private sector bank which is fully owned by Bangladeshi entrepreneurs. At present NBL is one of the largest private sector banks in Bangladesh. Its members of the board of directors are potential and leading entrepreneurs of the country. With the flow of time NBL has also bring a lot of changes in their services which consist of automation in the business operations and modernization of the products and services with the demand of the customers.

NBL was inaugurated formally on March 28, 1983 by the President of Bangladesh Justice Ahsanuddin Chowdhury. Its first two branches are Dilkusha Branch in Dhaka and Khatunganj Branch in Chittagong which started their commercial operations on March 23, 1983 and May 11, 1983 respectively.

At present, NBL's business operations are carried on by its 192 branches & Agri Branches spread all over the country. They always give high importance on foreign exchange operations and also handled a very good quantity of Homebound Foreign Remittance. NBL has drawing arrangements with 415 correspondents from 75 countries of the world and also with 37 overseas Exchange Companies of 13 countries. As a first local bank NBL has established agency arrangements with Western Union to help the Bangladeshi expatriates send their hard earned foreign currency quickly and safely.

NBL as a local bank is the introducer of International Master Card in Bangladesh. They have also Visa Card and Power Card services. They are now using modern technology services such as SWIFT, REUTERS for their communication and transaction purpose. To improve the livelihood of the poor farmers of the Barindra area of Rajshahi district NBL is disbursing collateral free agricultural loan which is under their small credit program.

National Bank is now an expert organization to serve the banking needs of both local and foreign investors. It has also opened its Off Shore Banking Unit at Mohakhali Branch for a better service

to the wage earners and the foreign investors. NBL is sincere to ensure its transparency and accountability which is always reflected in their financial statements. They got Crest in 1999 and 2000, and Certificate of Appreciation by the Institute of Chartered Accountants of Bangladesh in 2001 for their financial statements. Their highly qualified manpower and an excellent Board of Directors set policies and strategies and implement it to run the organization successfully.

## **2.2 Vision of National Bank Ltd.**

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

## **2.3 Mission of National Bank Ltd.**

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

## **2.4 Core values of National Bank Ltd.**

NBL's core values consist of 6 key elements. These values bind their people together with an emphasis that their people are essential to everything being in the bank. Their core values are:

- (1) Integrity:** NBL protects and safeguards all customer information. NBL treats everyone in an equitable and consistent manner. NBL creates an environment, which earns customer trust.
- (2) Open Communication:** NBL builds customer relationships based on integrity and respect. NBL offers a full line of products and excellent service. NBL is committed to the prosperity of the customers and shareholders.
- (3) Performance Driven:** In NBL, customers and employees are judged in terms of their performance.

- (4) Continuous Self Improvement:** Continuous learning, self-challenge and strive make ways for self improvement of workforce at NBL.
- (5) Quality:** NBL offers hassle free better service timely. NBL builds-up quality assets in the portfolio.
- (6) Teamwork:** Interaction, open communication, and maintaining a positive attitude reflects NBL's commitment to a supportive environment based on teamwork.

## **2.5 NBL's Corporate Strategies**

### **(a) Developing strong customer franchises that are based on deep customer relationships:**

All their businesses are focused on extending the reach and depth of their customer relationships, whilst enhancing product capabilities to build competitive advantage. Ensuring they understand and effectively meet the needs of their customers from core banking products to the more specialist services such as brokerage, issue manager or corporate banking is at the heart of their business and is fundamental to ensuring they are developing long lasting customer relationships.

## **STRATEGIC FOCUS**

- (1) Their Business Focus:** Low cost, low risk, customer focused, corporate, SME, agri and retail and commercial banking service.
- (2) Their Aim:** (i) Best bank for customers (ii) Strong and sustainable shareholder returns (iii) Comfortable working place for the employees
- (3) Their Strategic Priorities:** (i) Creating the best customer experience (ii) Becoming simpler and more efficient (iii) Delivering sustainable growth

### **(b) Building a high performance organization:**

- In delivering a high performance organization the bank is focused on improving their cost efficiency and utilizing their capital more effectively whilst maintaining a prudent approach to risk.
- The bank aspires to have one of the lowest cost to income ratios amongst the banking financial institutions and further improving their processing efficiency and effectiveness will remain a priority. The anticipated synergies arising from the acquisition will be the key to further improving their efficiency.

- Utilizing capital more effectively is increasingly important in the current environment and capital will be rigorously allocated across their portfolio of business to support business growth.
- Their conservative and prudent approach to risk is core to the business model and the „through the cycle“ approach means they will continue to support their customers throughout the economic cycle. The risk structures and frameworks that have been implemented are the foundation for good business management.

**(c) Managing their most valuable resource, their people:**

Executing their strategy effectively will only be possible if they ensure deliverables are effectively aligned with their corporate strategy and they manage their most valuable resource, their people, well. Their people have the skills and capabilities to deliver the strategy but in driving performance it is important to ensure they encourage, manage and develop their staff whilst creating a great place to work. The effective integration of the two businesses will be a significant challenge over the next few years, but comprehensive plans are in place and excellent progress is already being made. National Bank believes that the successful execution of its strategy to focus on core markets, customer and cost leadership, capital efficiency and a prudent risk appetite will enable the Bank to achieve its vision of being recognized as the best financial services company.

**2.6 Branches of National Bank Ltd.** National Bank Ltd. has currently 192 branches all over Bangladesh. Its head office is at 48, Dilkusha Commercial Area, Dhaka. It has also 5 regional offices which are in Chittagong, Shariatpur, Rajshahi, Khulna and Sylhet. The number of branches by region is described below:

| <b>Region</b>     | <b>No. of Branches</b> |
|-------------------|------------------------|
| Dhaka Region      | 81                     |
| Chittagong Region | 33                     |
| Rajshahi Region   | 24                     |

|                   |    |
|-------------------|----|
| Khulna Region     | 25 |
| Shariatpur Region | 10 |
| Sylhet Region     | 19 |

**Table No-1: Branches of National Bank Ltd.**

## **2.7 Products and Services of National Bank Ltd.**

The products and services of National Bank Ltd. Is mainly 3 types:

- (a) Deposit Products**
- (b) Credit Products**
- (c) Cards**
- (d) Overseas Operation**

The various types of products and services of NBL under these categories are mentioned below.

### **2.7.1 Deposit Products**

There are various types of deposit products of NBL. The details of those are given below.

- (1) Savings Deposit:** NBL is providing savings deposit service through its branches which are hazardless and free from any hidden cost. They also have instruction arrangement for the accounts.
- (2) Current Deposit:** For daily business transaction purpose NBL is providing current deposit service which is free from any hidden charge, hazardless and gives access to various facilities. Instruction arrangement is also available for the accounts operated.
- (3) Term Deposit:** Under term deposit there are two types of deposits. These are:
  - (i) Special Notice Deposit:** Here the bank offers interest on the deposit amount and also give the facility to withdraw money at any time. Instruction arrangement is available.
  - (ii) Fixed Deposit:** NBL offers fixed deposit service where the customer can deposit any amount and premature encashment facility is available for the customers. Overdraft facility is available against term receipt.

- (4) **Foreign Currency Deposit:** Under foreign currency deposit there are two types of deposits. These are:
- (i) **Resident Foreign Currency (RFC) Deposit:** National Bank Ltd. Is giving the opportunity to maintain foreign currency account through its authorized dealer branches. Bangladeshi nationals residing abroad, foreign nationals residing abroad or Bangladesh, foreign firms operating in Bangladesh or abroad and foreign missions and their expatriate employees can use this account. Some benefits of this account are: (1) No initial deposit is required to open the account (2) Interest will be offered 1.75% for US Dollar Account, 3.00% for EURO Account, 3.25% for GBP Account (3) They will get interest on daily product basis on the credit balance (minimum balance of US\$ 1000/- or GBP 500/- at least for 30 days) maintaining in the account.
  - (ii) **Non-Resident Foreign Currency (NFC) Deposit:** This service is also provided by authorized dealer branches of NBL. All non-resident Bangladeshi nationals and persons of Bangladesh origin including those having dual nationality and ordinarily residing abroad may contain interest bearing NFCD account. Some benefits of NFCD are: (1) It can be opened for one month, three/six months, one year through US Dollar, Pound Starling, Japanese Yen, and Euro (2) The minimum initial amount is \$1000 or 500 Pound Starling or equivalent other designated currency (3) Interest will be on the account balance and it is tax free.
- (5) **Monthly Savings Scheme:** For the retail customers NBL offers monthly savings scheme where account can be opened by any installment and it is not changeable. More than one account can be opened in a branch/bank.
- (6) **Monthly Earning Scheme:** Deposit amount have to be minimum Tk. 1,00,000 and its multiples which will be up to Tk. 10,000,000. Monthly interest is 7.51%. The net payable amount is calculated after the deduction of the tax amount from the interest amount. If the customer has Tax Identification Number (TIN) then the tax rate is 10% and if not then the tax rate is 15%.
- (7) **Double Benefit Account:** By this scheme the benefit will be doubled after 9 years and 6 months. Here the amount to deposit is minimum Tk. 1,00,000 and the multiple of it but it has no upper limit. Account can be opened singly or jointly, more than one

- account can be opened and the account holder gets the facility of free life insurance policy.
- (8) **Millionaire Deposit Scheme (MDS):** This is a type of account offered by NBL where the customer will deposit amount on every month for 4, 6, 9 or 12 years and maturity the customer will receive Tk. 10,00,000/-. The monthly deposit size will be based on the tenure of the scheme. Here more than one MDS can be opened and the account can be opened singly or jointly.
  - (9) **Apon Thikana Shanchoy Prakalpa (ATSP):** This is a type of savings deposit scheme for those customers who want to purchase a flat with their saved money in the bank. Maturity of this scheme is 5, 8 and 10 years and the customer will deposit a fixed amount as installment at every month. At the end of the maturity the customer either can en-cash the terminal amount or can take amount as loan up to 100% of the terminal amount and the interest rate will be at the prevailing rate of the bank. This scheme also allows the customers to take up to 80% of the deposited amount as loan at the available rate of the bank at any time of the scheme period. At 50% rent locker facility can taken at the first year but depends upon the availability of the locker.
  - (10) **Luxury Savings Deposit Scheme (LSDS):** Here the monthly installment is usually high and the maturity is 2, 3, 4 or 5 years. At any time of the scheme period up to 80% of the deposited amount can be taken as loan at the available interest rate of the bank. Locker facility is at 50% rent in the first year and depends on the availability of the locker.

### **2.7.2 Card Products**

There are two types of card products in NBL and these are:

- (1) **Credit Card**
- (2) **Power Card**

Lets we describe about these products in the below:

- (1) **Credit Card:** NBL credit card is acceptable in many shops and outlets locally and internationally. Interest rate and card fee are the lowest. With some applicable conditions special discount is also available. 80% of card amount is transferrable to any NBL account and also have pay order facility. NBL card has dual currency card facility and without any excess or hidden charges.
- (2) **Power Card:** It is the first debit card for which the customer will not required having any account with the bank. Here it is a pre-paid card and annual/renewal fee is only Tk. 200/-. At al VISA, POS merchants it is acceptable and acceptable at all ATM booths which have VISA and Q-cash logo (accept HSBC, Bangladesh).

### **2.7.3 Credit Products**

National Bank Ltd. is disbursing various types of loans from the beginning of their business. To fulfill the needs of the customers from various sectors and also to assist in national growth and development they are providing various types of credit. Let's we describe about them:

- (1) **Loans and advances:** To serve the investment requirements of the clients, NBL has various types of loan products including credit card, agriculture, small and medium industries, industries, house building, trade services and consumer durables etc.
- (2) **Financing RMG:** Considering the importance of Ready Made Garments (RMG) sector in the national economy, NBL has been allocating significant amount to finance various RMG sector projects since inception to support the most successful industry of the economy. Factory up gradation and improving the working environment is also given importance and they have continued disbursing loans here.
- (3) **Project and Syndication Financing:** NBL is always caring for the national growth and carefully disbursing credit to various sectors which should get priority. They give importance in financing the construction of new long term infrastructure and industrial projects. BMRE of long term infrastructure and industrial projects is also a major concern of them where they focus on good productivity, environment friendliness and fuel efficiency of the industries. NBL is also financing various big projects under syndication arrangement with other banks as these projects require large amount of money as

investment. Power Plant, Spinning, Food Processing, Real Estate, Textile, Pharmaceuticals and RMG are the sectors where NBL has invested under syndication arrangement.

- (4) Micro credit and Agri Financing:**NBL provides micro credit for the poor people and also to the rural people which those people can use for various earning purpose such as fishing, livestock or poultry by which they can bring better income for their family and improve their life standard. NBL is also financing in agriculture by providing loans to the landless and marginal farmers and they can use this money to collect seeds, fertilizer, irrigation facility, agri materials which can help to improve the quantity and quality of the agricultural production and it will also contribute to the lifestyle improvement of the village people.
- (5) SME & Women Entrepreneurs Financing:**NBL has introduced various SME products which are attractive and by these they are trying to attract small and medium entrepreneurs from different sectors of industry, trade and service through their branch network.They are providing loans to the women entrepreneurs under Bangladesh Bank refinance fund where the interest rate is only 9%. They are trying to develop cluster financing and also established e-shop which will help to create market for the locally produced handicraft items locally and internationally.NBL has launched a SME product named „infolady“ which is especially for women entrepreneurs and the interest rate is reasonable. Computer study, internet, mobile phone services and health care in the village area are the sectors for which „infolady“ has launched.
- (6) Retail & Consumer Loan:** To fulfill various personal and family needs of fixed income groups such as professionals, service holders and others NBL has introduced consumer loans to purchase consumer products. Their retail loan products are Education Loan, Consumer Durable Loan, Any Purpose Loan and Professional Loan.
- (7) Lease Financing:**To diversify the service into various sectors NBL has introduced lease financing also. To attract a lot of individuals, industrialists and business firms NBL has made this scheme hassle free and conditions are also easy. With easier terms and conditions this scheme supports the customers to acquire medical equipments, capital machinery, consumer durables, automobile, equipments and CNG refueling machineries etc.

**(8) House Building Finance:** National Bank Ltd. (NBL) provides two types of loans under this scheme. One is „NBL Housing Loan“ which is provided for construction and purchasing of residential building or apartment. The another is „Small Housing Loan“ which is provided for expansion, repair and renovation etc. of existing apartment or building. Big loans for housing such as construction/development/purchase of apartment/commercial buildings are not under this scheme.

#### **2.7.4 Overseas Operations**

The Bank is providing service in international trade and foreign exchange. Under this side there are export, import, offshore banking unit and homebound foreign remittance. Export bill negotiation, export proceeds realization, establishing LC, foreign remittance etc. are under foreign trade services by which the bank try their best to expand their external business.

- (1) Import:** In 2015 to facilitate import trade the Bank opened a total 25,407 LCs with a value of USD 1,092.90 million . The main commodities were raw cotton, rice, edible oil, capital machinery, scrap vessels, wheat, yarn, garment accessories, petroleum products, fabrics and other permissible consumer items.
- (2) Export:** 25,672 export documents with a value of USD 878.35 million have been handled in 2015. Export finances were extended mainly to knitwear, tanned leather, jute goods, readymade garments, tea, frozen food and fish, handicraft etc.
- (3) Offshore Banking Unit:** National Bank Ltd. opened its offshore Banking Unit (OBU) at Mohakhali Branch, Dhaka in 2008. This venture is trying to bring innovation and customer friendliness in their service to satisfy the local entrepreneurs and foreign investors who are investing in 100% export oriented industries. In 2015 total loans and advances with a value of USD 36.44 million (Tk. 2,836.68 million) was made by OBU. In the same year export and import made by OBU were USD 46.79 million (Tk. 3,670.82 million) and USD 27.60 million (Tk. 2,165.66 million) respectively.
- (4) Homebound Foreign Remittance:** Considering a high presence of Bangladeshi expatriates NBL has established their subsidiaries in different countries and also made agency arrangements with different exchange houses from different countries. The Bank is an agent of Western Union Money Transfer since 1993 which is a global leader for the services of transferring money and was the only agent till 2002. Furthermore, NBL has

dealings with Eastern Bank Ltd. (EBL), Social Islami Bank Ltd. (SIBL) and ASA which is a leading NGO of Bangladesh, where they will make payments of inward remittances on behalf of National Bank Ltd.. NBL has taken steps for the up gradation of different products and also introducing modern technologies such as Online Banking, „NBL Quick Pay“, EFT and other automated devices which will ensure the payment of inward foreign remittance safe, speedy and with no interruption. It will create an easier system for the remitter living in foreign country and the beneficiary in Bangladesh. With 52 exchange companies from 17 countries, drawing arrangements has been made by the bank and fully owned subsidiaries in USA, Singapore, Greece, Maldives, Malaysia and partially (25% equity) owned Exchange Company in Oman has been established.

## 2.8 MANAGEMENT HIERARCHY of National Bank Ltd.

|  |
|--|
| <b>Managing Director</b>               |
| <b>Additional Managing Director</b>    |
| <b>Deputy Managing Director</b>        |
| <b>Senior Executive Vice President</b> |
| <b>Executive Vice President</b>        |
| <b>Senior Vice President</b>           |
| <b>Vice President</b>                  |
| <b>Senior Assistant Vice President</b> |
| <b>Assistant Vice President</b>        |
| <b>Senior Principal Officer</b>        |
| <b>Principal Officer</b>               |
| <b>Senior Executive Officer</b>        |
| <b>Executive Officer</b>               |
| <b>First Executive Officer</b>         |
| <b>Junior Officer</b>                  |



**Figure No-1: Management Hierarchy of National Bank Ltd.**

### **3. Key Responsibilities**

I work both in the general banking division and foreign exchange division. But most of the time in the foreign exchange division. The key responsibilities are given below:

- In the foreign exchange division I helped them by filling various registers required in foreign exchange operation.
- I also worked in the account opening division and help the customers in filling the account opening form.
- I also worked in the clearing division. I have done some inward and outward cheque clearing activities.

These were the responsibilities I did at NBL, Mohakhali branch. Mainly, most of the time the employees discussed with us about the concepts of banking operations as the banking operations are complex. The other thing is that there are a lot of other internee students in our branch. This is why the internees get little opportunity to work.

## **4.FOREIGN EXCHANGE OPERATIONS**

### **4.1What is foreign exchange?**

Foreign exchange is the exchange of one currency for another or the conversion of one currency into another currency. Foreign exchange also refers to the global market where currencies are traded virtually around the clock. The largest trading centers are London, New York, Singapore and Tokyo. The term foreign exchange is usually abbreviated as “forex”and occasionally as “FX”.

### **4.2Regulatory requirements for foreign exchange**

The banks have to follow several laws, rules or guidelines in conducting foreign trade operations. Among these some are local and several international laws/ rules/ guidelines are also there. Among the laws for foreign exchange the Foreign Exchange Regulation Act-1947 is one of the most important local or internal laws. On the other hand UCPDC is the most important rule among the international rules. The required laws, rules and guidelines for banks to conduct foreign trade are named below:

- (i) Foreign Exchange Regulations Act-1947
- (ii) Guidelines for Foreign Exchange Transactions-2009
- (iii) Import policy order (currently imposed)
- (iv) Export policy (currently imposed)
- (v) Customs Act 1969 and preshipment Inspection Rules-2009
- (vi) Importers, Exporters and Indenters (Registration) Order, 1981
- (vii) Uniform Customs and Practice for Documentary Credits (UCPDC-600)
- (viii) International Standard Banking Practice (ISBP-681)
- (ix) Uniform Rules for Collection (URC-522)
- (x) Uniform Rules for Bank-to-Bank Reimbursement Under DC (URR-725)
- (xi) Incoterms-2010
- (xii) Uniform Rules for Demand Guarantees (URDG-758)
- (xiii) International Standby Practices (ISP-98)
- (xiv) DOCDEX Rules and ICC Arbitration

Source: (Ullah, 2015)

### **4.3 Functions of foreign exchange department**

The foreign exchange department is comprised of three types of activities:

- Export
- Import
- Foreign remittance

National Bank Limited provides these three types of services in foreign exchange. All the banks of Bangladesh have to perform these three types of functions in their foreign exchange departments.

### **4.4 Documents used in foreign exchange**

In foreign exchange the transactions go on between the countries. Here there are a lot of formalities and documents required because there are a lot of complications introduced in the trade and different countries have different checks and controls. That is why the process of foreign exchange is much complicated. The documents required in foreign exchange are classified into two categories:

#### Group- „A“:

The documents shown under this category are known as export documents from the exporter's side and import documents from the importer's side. These are:

1. Bill of Exchange/ Drafts
2. Bill of lading
3. Air consignment Note or Airway Bill/ Post Parcel Receipt/Railway Receipt/Truck Receipt
4. Invoice/Commercial Invoice
5. Consular Invoice
6. Marine Insurance Policy
7. Certificate of origin
8. Packing list or Mills Specifications

9. Inspection certificate/ Survey Report
10. Certificate of Weighment & Measurement
11. Bill of entry
12. Certified Invoice
13. Black listed certificate
14. Health, Veterinary Certificate/ Phytosanitary Certificate
15. Exp Form
16. G.S.P

Group- „B’:

The documents shown under this category are of miscellaneous types and required depending nature of transactions and term of credit. They are:

1. Indent
2. Proforma Invoice
3. Dock Warrant
4. Ware House
5. Ware house Keeper’s Certificate
6. Delivery Order
7. Trust Receipt

Source: (Ahmed, 2008)

Lets we explain about some of these documents:

**Bill of Exchange:** The payment of the good is received by the seller through the medium of a bill of exchange (B/E) which is commonly called (draft or bill) drawn on the buyer for the amount depending on the contract. It is a negotiable instrument in writing containing an unconditional order signed by the maker, directing a certain person to pay a certain sum of money only to or to the order of a certain person, or to the bearer of the instruments. Here there are mainly three parties which are drawer, drawee and payee. The drawer prepares the bill, the drawee who has to pay the amount of the bill in future specific time and the payee who will receive the amount as per the order of the drawer to the drawee (Ahmed, 2008).

**Bill of Lading:** A bill of lading is a legal document between the shipper of goods and the carrier detailing the type, quantity and destination of the goods being carried. The bill of lading also serves as a receipt of shipment when the goods are delivered at the predetermined destination. This document must accompany the shipped goods, no matter the form of transportation, and must be signed by an authorized representative from the carrier, shipper and receiver (Investopedia Web site).

**Commercial Invoice:** It is the seller's bill for the merchandise. It contains a description of the goods, the price per unit, total value of the goods, packing specifications, terms of sale, letter of credit, bill of lading number etc. There is no standard form for a commercial invoice. Each exporter designs his own commercial invoice forms. The invoice is made out by the seller under his signature in the name of the buyer and must be submitted in a set of at least 3 copies. Its purpose is to check whether the appropriate goods has been shipped and also that their unit price, total value, marking on the package etc. are consistent with those given in other documents (Ahmed, 2008).

**Marine Insurance Policy:** In the international trade marine insurance policy is a must to cover the risk of loss on consignments while they are on seas. The marine insurance is the responsibility of the buyers (consignee) under FAS, FOB and CFR contracts and the seller (consignor/shipper) under CIF contract. The policy must be of the type as specified in the relative contract/credit. The policy would be dated not later than the date of shipment with claims being payable at the destination (Ahmed, 2008).

**Certificate of Origin:** This is a certificate issued by a recognized authority in exporting country certifying the country of origin of the goods. It is usually issued by the chambers of commerce. Sometimes it is certified by local consul or Trade Representatives of the importing country as per terms of the credit (Ahmed, 2008).

**Packing List/Mills Specifications:** The exporter must prepare an accurate packing list showing item by item, the contents of the consignment to enable the receiver of the shipment to check the contents of the goods, number and marks of the packages, quantity, per package net weight, gross weight, measurement etc.(Ahmed, 2008).

**Inspection Certificate/Survey Report:** Inspection certificate by an established inspection authority is needed under some contracts or by some countries (Ahmed, 2008).

**Indent:** The indent is an order placed by importer to his overseas exporter. It should convey in full detail, and every particulars the exporter should know, so that he can satisfy buyer's requirement. The essential particulars may include the quantity of goods and price, the mode of making up and packing of the goods, the instructions for shipping, insurance, number of bill of lading and invoice required, whether a consular invoice and certificate of origin to be included (Ahmed, 2008).

**Proforma Invoice:** At the negotiating stage of a deal the buyer may require the seller to quote the prices of the goods showing their detailed particulars in order to enable him examine the competitive position. It is an offer by the seller to sell the goods and is exactly similar to the customary invoice except that it is marked „Proforma“ (Ahmed, 2008).

**G.S.P. (Generalized System of Preferences):** The Generalized System of Preferences is known by its abbreviation as GSP. Under the systems, the developed countries extend preferential treatment to a range of specified products importing from developing countries. This preferential treatment is provided either by reduced rates or by zero rates“ of import tariff duties on the goods imported. The preference giving countries are donor countries, while the preference receiving countries are known as beneficiary countries under the GSP system (Ahmed, 2008).

#### **4.5 What is Letter of Credit?**

A letter of credit (LC) is an undertaking by the bank of the importer to the exporter promising that the bank will pay the amount of the LC within due time. LC is now a worldwide accepted system of payment which is very popular and at present most of the foreign exchange transactions are done by opening LCs. Here the bank issues LC in favor of the exporter and forward it to them. By the LC the bank promises that if the supplier (beneficiary) sends the products within due time, properly submit the required documents and all the terms and conditions of the LC are fulfilled then the importer will pay the amount and if they become failed to pay the whole amount then the bank will pay the rest of the amount and if the importer cannot pay any amount then the bank will pay the whole amount. According to this assurance the exporter produces and sends goods according to the order. In Article No- 2 of UCP-600 letter of

credit is defined as “Credit means any arrangement, however named or described that is irrevocable and thereby constitutes a definite undertaking of the issuing bank to honour a complying presentation.”

#### **4.6 Basic Letter of Credit transaction process**

1. The letter of credit (LC) processing starts by signing a sales contract where the exporter and importer reach an agreement in the terms and conditions of the transaction.
2. After the signing of the letter of credit the importer applies to its bank (issuing bank) to issue a letter of credit where the LC must have to be according to the terms of the sales contract.
3. After reaching an agreement with the importer the importer’s bank (issuing bank) issues a letter of credit. If the issuing bank and the exporter located at different countries then the bank may take the service of advising bank to advise the credit to the exporter (beneficiary).
4. The advising bank advises the credit to the beneficiary. Here the advising bank checks two important things regarding the credit. Firstly, the advising bank checks the apparent authenticity of the credit and secondly, the bank tries to ensure that the advice is accurately reflecting the terms and conditions of the credit.
5. Then the beneficiary checks the terms and conditions of the letter of credit and if they found any disparities then inform the importer and request for amendment. If the term and conditions seems okay to the exporter then they start producing goods and then ship the products. They try to ship the products within the latest shipment date according to the LC. The beneficiary ships the ordered goods according to the terms and conditions of the letter of credit.
6. After the goods are loaded the exporter collects required documents according to the LC and then they forward it to the bank.
7. Then the advising bank posts the documents to the issuing bank on behalf of the beneficiary.
8. After getting the documents the issuing bank checks those according to the terms and conditions of the credit. They also take into account the governing rules mainly the latest version of UCPDC.

9. If the issuing bank is satisfied that the documents are complying then they honor the payment claim.
10. The documents are transmitted to the applicant as it is required to clear the goods from the customs.

Source: (Letter of Credit Website)

#### **4.7 Parties of Letter of Credit Transaction**

- **Issuing Bank:** The issuing bank is the bank of the importer. Here the importer applies for opening an LC. If the bank accepts the application of the importer then they open an LC in favor of the exporter (beneficiary). The LC is opened according to the conditions of the sales contract but it must be according to the related laws, rules and regulations. Anything or any condition of the sales contract which violates the rules and regulations will not be accepted in opening the LC.
- **Advising Bank:** It is the bank of the seller or the beneficiary which is normally situated in the exporter's country. The issuing bank requests the bank (with whom they have „correspondent relationship“ established by agency arrangement) to advise the LC to the exporter. Without the correspondent relationship the request for LC advising will not be accepted by the bank.
- **Confirming Bank:** Confirming Bank acts as an extra confirmation for the payment of the due amount of LC along with the issuing bank. It can be the advising bank or other bank with the request of the issuing bank.
- **Reimbursing Bank:** Reimbursing Bank is called the paying bank as it is nominated by the issuing bank to pay or to accept drafts (bill of exchange). To nominate as a reimbursing bank the issuing bank will need a „Nostro Account“ with that bank. After becoming satisfied with the procedures and required documents the reimbursing bank will debit the Nostro Account of the issuing bank and pay the amount to the nominated bank or claiming bank when they claim payment. But to debit the Nostro Account they will need the permission of the issuing bank.
- **Negotiating Bank:** Negotiating bank is the bank who negotiates the bill and pay the amount to the beneficiary. But before negotiation they carefully check the documentary

credit and check whether the documents are in order or not. After becoming satisfied in the scrutiny they make payment to the beneficiary. Sometimes same bank can become both advising and negotiating bank and sometimes confirming bank also becomes negotiating bank.

- **Nominated Bank:** If any bank of the exporter's country is named by the issuing bank in the LC to submit the documents by the exporter then it is called the nominated bank.
- **Applicant:** The importer is the applicant of an LC.
- **Beneficiary:** The exporter is the beneficiary of the LC.
- **Insurer (Insurance Company):** An insurance policy is required for all the transportable goods against the LC. If any damage happens to the product on the way then the insurance company is bound to pay for it as compensation.
- **Carrier (Transporting Company):** The transporting company is called the carrier. The product can be transported by ship, airplane, truck or train. The duty of the company is to transfer the product to the final destination. Here the „transport document“ provided by the transport company is considered as an important document.

#### 4.8 Types of Letter of Credit

Some basic types of letter of credit are described below:

- **Revocable LC:** This is the type of LC which can be revoked or cancelled at any time by the issuing bank without any prior notice to the beneficiary.
- **Irrevocable LC:** At present foreign exchange is conducted by following UCP 600. According to it all the LCs are irrevocable even if there is not the type of LC mentioned in the LC. So, actually there is no existence of revocable LC now. According to this rule the issuing bank cannot cancel or revoke the LC once issued. If needed to cancel then both the parties along with all the inner parties (ex: applicant, beneficiary, issuing bank, advising bank, reimbursing bank etc.) have to agree with it.
- **Confirmed LC:** When the issuing bank requires providing extra confirmation for the payment of the LC amount by the advising bank or any other bank to the supplier of the product then it is called confirmed LC and the confirmation giving bank is called the

confirming bank. It is required as although LC is a confirmation but still many times the supplier cannot depend on the importer.

- **Back to Back LC:** This is a type of LC opened by RMG exporters of our country. Here they at first get the export order from other countries. The LC they get in the order is called the „Export LC“ or „Master LC“ or „Mother LC“ here. Then the RMG manufacturers require various types of raw materials which they need to import from other countries. To import these raw materials they open new LC in the bank by keeping the Master LC in the bank as security. Opening this type of LC is called Back to Back LC. By this LC they import raw materials from other countries, produce the product as per export order and ship them. To import raw materials more than one Back to Back LC may be required to open for one export order.
- **Standby LC:** This is like bank guarantee. Here the bank pays to the beneficiary if their client or owner of the LC become bankrupted or cannot pay the amount according to the terms and conditions of the LC for any cause.
- **Revolving LC:** It is a type of LC where more than one shipment of goods is possible. To do new shipment new LC is not required to open under this type of LC. But this LC has a validity time and all the shipments can be done within this validity. Another condition is it gives a price limit. So, LC values of all the shipments must be under this price limit.
- **Transferable LC:** If the word „Transferable“ is mentioned in the LC then it is called transferable LC. Here the first beneficiary can transfer the LC to one or more second beneficiary. But the second beneficiary cannot transfer the LC again.
- **Clean LC:** In this type of LC the beneficiary is only required to submit the bill of exchange to get the payment after the shipment of the goods.

## 4.9 Import

### Procedure of import operation

In import operation there are several steps in completing the total import procedure. These steps are:

- (1) LC issuing and transmitting
- (2) LC Amendment
- (3) Scrutiny of documents
- (4) Lodgment
- (5) Retirement

Lets we describe about these processes:

**(1) LC issuing and transmitting:** At first the importer and exporter reach sales contact and then the importer applies to the bank to open an LC. But at the time of opening LC the importer will need arrange some papers. The name of the papers are given below:

- Import Registration Certificate (Issued by CCI&E)
- IMP Form
- Trade License
- Credit report of the supplier
- Indent in case of indenture
- Letter of Credit Authorization (LCA form) with HS code mentioned
- Proforma Invoice
- Seller's credit report should be collected from correspondent bank
- In case of FOB/CFR, insurance cover note
- VAT registration certificate with TIN
- LC application form
- Memorandum of articles of association and Certificate of incorporation (for limited company)
- Membership certificate in the associated society or association

- Checking whether the goods are importable or not (banned item) or restricted item
- (i) The bank will collect CIB report of their customer. The bank will also collect Credit report of the foreign supplier from its foreign correspondent or from two foreign organization which provide credit report at request and these are „Dunn & Bradstreet“ and „Seyds“ to understand either it is satisfactory or not.
  - (ii) Based on the credit report the bank set a margin which will be a portion of the LC value and take some amount as security and for the rest of the margin FDR, land, building will be kept as collateral security.
  - (iii) The bank will send the assets and liabilities of the customer and send it to the higher authority for permission. If the authority gives permission then the bank will issue LC application form, LCAF, IMP-form printed by the bank. The customer will have to fill these forms by his/her hand and give signature in front of the officer and the will verify the signature.
  - (iv) The importer has to submit the insurance cover note by which the bank can be sure that the importing products have already been insured and the importer has paid the insurance premium which is 10 percent of the LC value.
  - (v) The bank will check that HS Code (Harmonised System Code) and Incoterms are mentioned properly and other papers are also in order. The bank will also insure that all the things are done by following the rules and regulations.

After becoming satisfied with all the things the officer will type the LC correctly and send it to the foreign correspondent by SWIFT. Here two copies are sent. One copy is for the advising bank and the another copy is for the supplier. The other copies are sent to Bangladesh Bank, Head Office of the bank, branch office of the bank, CCI&E and importer. After getting the LC the exporter checks the LC and if they found okay then they will start producing the goods according to the order.

**(2) LC Amendment:** It is required either by exporter or the importer to bring some change or correction in the terms and conditions of the LC. Amendments can be of various types. Let's we name some of the amendment types in an LC:

- To extend the date of shipment or the date of expiry of the LC

- To increase or decrease the price of the LC
- Changing the supplier
- To bring change in the description of the goods
- To add new conditions in the LC
- To deduct any condition from the LC
- To change the mode of transportation
- To change the destination of goods where those will go or come
- To change any particular condition

To bring any amendment both the parties have to be agreed with the change. It is also required that the amendment must have to be according to the rules and regulations of both the countries. Any condition which can bring harm for the nation will not be accepted as amendment.

**(3) Scrutiny of documents:** After getting export documents from the exporter the bank (issuing bank) needs to check those documents. The following documents are required to check:

- Commercial invoice
- Packing list, Inspection certificate, Certificate of origin
- Health consumption certificate, Phytosanitary certificate, Chemical analysis certificate. These certificates are also required sometimes as per LC contract.
- Consular invoice: It is provided by the consulate of the importer's country located in the exporter's country. The main purpose of it is to provide accurate information about the products which will give the importing country's authority a confirmation about the products.
- Certified invoice: Certified invoice is a certificate provided by someone from the importer's country who inspected the products and found in order with the LC requirements.
- Bill of lading, Truck Receipt (T/R), Railway Receipt (R/R), Airway Bill (with shipping mark if it has)
- Bill of exchange or draft

The bank will scrutinize whether the documents are in order and correct according to the LC requirements. If found okay then the bill will be lodged. If found discrepant then for rectification the bank will immediately inform the negotiating bank and the importer.

### **Some Discrepancies in an LC**

In foreign exchange transactions the exporter's banks send various types of documents to the importer's bank after the shipment of the order. Here the importer's banks need to check the documents properly to ensure that they send the documents according to the terms and conditions of the credit. There can be various flaws or discrepancies in the documents which the importer's banks require to check. To check the discrepancies quickly the banks keep „discrepancy checklist“ on their desk. Some of the discrepancies are described below:

- Shipment not made within the stated time period
- Shipment is partially effected
- Documents are presented after the allowed time period
- Documents do not have the evidence of the country
- Bill of Exchange is not presented
- Amount of bill of exchange is differing with the amount of the commercial invoice
- There is not the name of the applicant (importer) in the commercial invoice
- Commercial invoice, packing list, bill of lading are not submitted in required number
- Absence of signature in the required documents
- Health certificate or inspection certificate or weight list is not submitted

**(4) Lodgment:** Lodgment is the payment of import bill by the issuing bank. After checking all the documents if the bank satisfied with that then they pay the bill and send message to the correspondent bank. If any problem found then they inform the negotiating bank and the importer. If they have not any problem with the discrepancies they will also inform that.

**(5) Retirement:** Retirement of documents is required to clear the goods from customs. But at first the importer needs the full particular of the shipped goods. After that the importer

will need to retire the shipping document against payment. The bill amount is debited from the importer's current account. Other charges and interest is also calculated. Sometimes the importer requires post import financing from the bank. After making the payment the bank transfer the shipping documents along with custom copy of LCAF to the importer.

#### **4.10 Export**

There are some steps in export operations. The steps are:

- (1) LC Advising
- (2) Issuing EXP Form
- (3) Collection of documents and checking
- (4) Export bill negotiation

Lets we describe about these steps:

- (1) LC Advising:** After reaching a sales contract between the exporter and importer, the importer open an LC in the issuing bank and the issuing bank sends the LC to the exporter's bank. After getting the LC the bank will check that and at first will try to know that whether it is a valid LC or not. After that they will check the terms and conditions of the LC and if found okay then they forward the LC to the exporter and it is called LC advising.
- (2) Issuing EXP form:** Here the exporter has to apply to the bank to issue EXP form. Then the bank will follow some steps which are mentioned below:
  - The bank will check whether the Export Registration Certificate (ERC) is renewed or not.
  - The exporter has to be the customer of that branch and the bank will check and ensure about that. Then the bank will check the export LC thoroughly to ensure that: (a) there is no such condition in the LC which is not possible to follow (b) there is no condition which go against the interest of the nation (c) no mention of any banned item (d) there is available time for shipment of

goods (e) it is clearly mentioned that the correspondent bank will pay the LC amount.

- After becoming satisfied with the terms and conditions of the LC the authorized officer will issue EXP form and give entry in the EXP Register. The exporter has to fill the EXP form in front of the authorized officer and give signature with seal.

**(3) Collection of documents and checking:** After shipment of the ordered goods the exporter has to submit the following documents to the Authorized Dealer (AD) branch. These are:

- Bill of exchange
- Bill of lading/ Airway bill/ Truck receipt/ Railway receipt (Transport Document)
- Commercial invoice
- Packing list
- Certificate of origin
- Marine insurance policy
- Inspection certificate (where required)
- Quality control certificate
- G.S.P. (where required)
- Phytosanitary certificate (for applicable sector)
- EXP forms
- Any other documents, if mentioned in LC

After submission of the export documents the authorized officer will check the documents. The officer will ensure that:

- All the documents have been submitted before the expiry of the LC.
- Bill negotiation is free and not restricted with any bank.
- Bill of exchange/ Draft is properly drawn.
- Shipment has been made within the mentioned time as per credit.
- Commercial invoice is prepared by the exporter and for the importer.

- Insurance policy is issued by an established company before the shipment, stamped according to the law, drawn in favor of the bank, negotiable.
- Other documents have to be checked properly.

**(4) Export bill negotiation:** After checking the export documents if the bank finds them in order and according to the terms and conditions of the LC then they start negotiating the export bill. Export bills are of two types:

- (a) Sight Bill
- (b) Deferred Bill

Lets we describe about these:

**(a) Sight Bill:** After checking the documents if the bank found them in order then they can negotiate the bill if the customer requests the bank. Here the bank takes indemnity from the customer, purchase the bill and pay the customer at advance. But before providing this service the bank will check the documents thoroughly and try to ensure about the export. Bill of lading is the first thing which the bank checks to know if it is accurate and okay or not.

**(b) Deferred Bill:** Deferred bill purchase is required for Back to Back LC and also for those LC's which are based on deferred payment system. Here the exporter submits the documents to the bank after the shipment of the goods. The bank sends these documents to the issuing bank. The issuing bank then takes acceptance from the importer for the bill of exchange. This system is called Delivery against Acceptance (DA). After getting the acceptance the issuing bank informs the exporter's bank about the Maturity date/Due date. Based on this acceptance the advising bank pay the exporter by discounting the bill.

Sometimes after the submission of the export documents by the exporter the bank found various discrepancies in the documents. At this moment the exporter's bank is not bound to purchase the bill and has to take permission from the importer's bank. The advising bank has to send a message to the importer's bank by mentioning the discrepancies and ask for permission to purchase the bill. If the importer's bank permits then the advising bank will purchase the bill. If not given permission then the advising bank will send the bill based on collection.

Another fact is sometimes though having discrepancies in the documents the exporter requires some advance payment from the bank to run their business. At this moment if the exporter applies to the bank, then the bank may be agreed to give a portion of the LC amount as an advance payment. But the bank has to collect indemnity/guarantee from the exporter for this payment. In the later period if the importer does not pay the bill amount then the advising bank will recollect this advance payment amount from the customer with interest.

#### **4.11 Foreign Remittance**

Foreign remittance is the transfer of currency from one country to another. A foreign remittance division of a bank purchase and sale foreign currency according to the market rate. It is required for various purposes. The expatriates living in the foreign countries send their hard earned money to the country. The foreign remittance division of a bank provide them a easy, fast and legal way to transfer the fund. On the other side currency can be remitted from our country. The foreign remittance operation is mainly of two types:

- (1) Inward foreign remittance
- (2) Outward foreign remittance

Lets we describe about these:

**4.11.1 Inward foreign remittance:** When currency is sent from the foreign country to our country then it is called inward foreign remittance. The Bangladeshi expatriates living in other countries transfer their hard earned money to our country. Here they are the remitter and to whom they are sending they money are called beneficiary.

**4.11.2 Outward foreign remittance:** Outward foreign remittance is the transfer of currency from our country to foreign countries. Here the bank sales the foreign currency in the current market rate send the money to the payee. Only the AD branches of a bank and other formal channels can remit fund to other countries.

### 4.11.3 Methods of foreign remittance

There are various ways by which currency can be transferred. The common 3 ways of foreign remittance are:

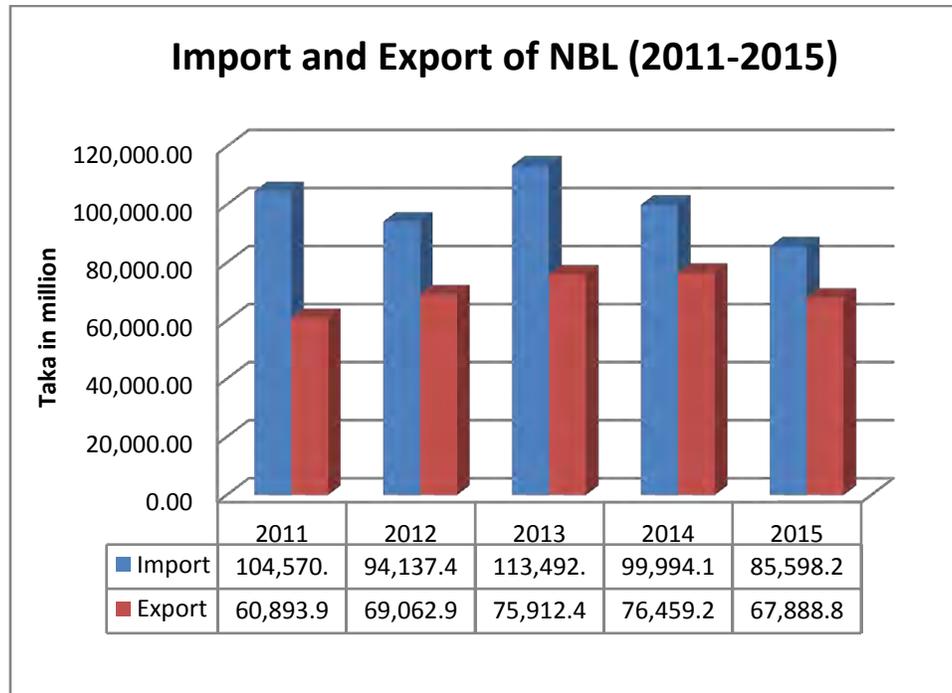
- (1) Foreign Telegraphic Transfer (F.T.T.)
- (2) Foreign Demand Draft (F.D.D.)
- (3) Travelers Cheque (T.C.)

Lets we describe about these:

- (1) Foreign Telegraphic Transfer (F.T.T.):** Foreign telegraphic transfer is a way for transferring fund from one country to another via electronic medium. The fund sending bank take charge for F.T.T and sometimes the fund receiving bank also take charge. Here to effect the transaction, telex message is sent.
- (2) Foreign Demand Draft (F.D.D.):** It is a type of negotiable instrument by fund can be transferred from one bank to another bank. Here who is requesting the money to be transferred is drawer of the demand draft. The amount of the demand draft is paid from the drawer's account. The bank to which the demand draft is drawn and the bank pays is the drawee. By the demand draft which party is receiving the money is called the payee.
- (3) Travelers Cheque (T.C.):**Travelers cheque is issued by the bank and is an alternative for carrying cash for those who are traveling abroad. It is issued in those currencies which make it easy to encash at any country of the world. The currencies are normally USD, Pound, Euro etc. Before traveling the traveler purchase it from the bank. At the time of traveling T.C. can be used in banks, hotels, big shops and pay various expenses.

## 5. Foreign Exchange performance of National Bank Limited

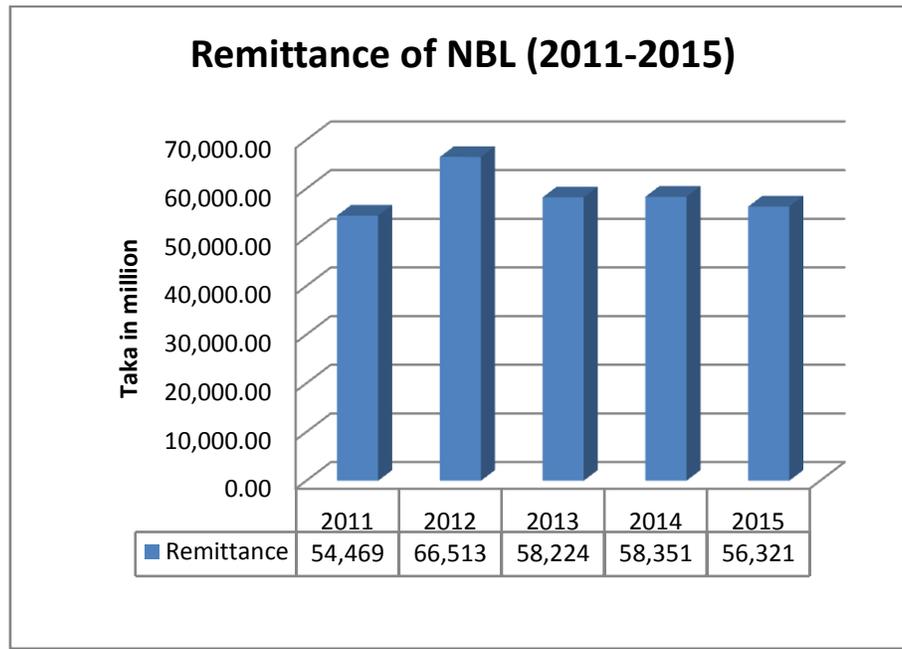
### 5 years export and import performance of National Bank Ltd.



**Figure No-2: Import and Export of NBL (2011-2015)**

In export, here we can see that from 2011 to 2015 NBL had a growth trend in their export operation. But in the year of 2015 NBL's export has been decreased by 11.21%. In import we can see that in the last 2 years import is in a decreasing trend. In 2014 NBL's import was decreased by 11.89% and in 2015 the decrease in import was 14.40%.

### 5 years foreign remittance of NBL



**Figure No-3: Remittance of NBL (2011-2015)**

Here we can see that in the year 2015 NBL's foreign remittance has been decreased by 3.48%.

## 6. Findings

After conducting my research I got some findings about National Bank Limited and its operations. Lets we discuss about it:

- Foreign exchange division is highly busy. A lot of workload is here.
- Updated banking software is used for banking operation.
- Good monitoring by the management is always there. It keeps the employees disciplined, punctual and hard working.
- The employees are helpful to provide information about banking operation.
- NBL has some electronic banking services but much less than other competitor banks.
- Foreign exchange division is huge in Mohakhali Branch and successful.
- Though having a lot of employees in the foreign exchange department it is still a shortage based on workload.
- Banking transactions are complex. To learn about the banking operation and getting well trained for the new employees takes time.
- NBL's annual report is of very high standard. Lots of information, discussion along with the financial statements are there.
- Many NBL services are unknown to its customers.
- Employees get a very little amount of vacation in a year. It is because of the importance of a banking institution to the people and to the nation. A lot of workload is also a cause for less vacation.
- NBL's website is filled with a lot of information.

## **7.Recommendations**

Based on my study here is some recommendations which NBL can follow to improve their service. The recommendations are given below:

- NBL should recruit more employees as specially in the foreign exchange division the process is too complex. For which reason existing number of employees is not sufficient.
- The bank should try to create an agile workforce which will provide faster service.
- Modernization in the banking operation is required. The bank can introduce more electronic banking services.
- Continuous research and development is a character of a successful organization. National Bank Ltd. should increase its research and development activities.
- Marketing is an important tool to gain more customers. The bank has to increase its marketing activities.
- The bank should encourage the investment in environment friendly industries.
- Though banks do not disburse loans to new entrepreneurs but can motivate to become an entrepreneur.
- The bank should innovate more products and educate the customers about those through marketing activities.
- The bank should invest in the industrial sector more to make our industries stronger and to take our products globally.
- The bank should do time to time market research to understand customer demand and perception about the banking services.

## **8.Conclusion**

National Bank Limited (NBL) is one of the largest commercial banks of Bangladesh. Though it has a large branch network and doing business profitably but still they are in a very conventional type of banking. It requires to bring some modern banking practices. The workload in the foreign exchange department shows that NBL is doing well in the foreign exchange services. If the bank recruit more employees and create an agile workforce then the services can become faster. It will help the bank to retain the customers. The bank should do more market research and more promotional activities. The bank should introduce more electronic banking services to bring change. The bank should create an innovative culture in the organization and should invest in the industrial sector more.

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