

Report On  
Foreign Exchange & Credit Risk Management of  
IFIC Bank PLC

By

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A project report submitted to the department of Brac Business School in partial fulfillment of the requirements for the degree of [Masters in Business Administration in Finance]

[Brac Business School]  
Brac University  
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## Declaration

It is hereby declared that

1. The project report submitted is my own original work while completing degree at Brac University.
2. The report does not contain material previously published or written by a third party, except where this is appropriately cited through full and accurate referencing.
3. The report does not contain material which has been accepted, or submitted, for any other degree at a university or other institution.
4. I have acknowledged all main sources of help.

### Student's Full Name & Signature:

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**Sayla Sowat Siddiqui, PhD**

Assistant Professor, Department  
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## Letter of Transmittal

Sayla Sowat Siddiqui, PhD

Assistant Professor,

BRAC Business School

BRAC University

Merul Badda, Dhaka, Bangladesh

Subject: Masters in Business Administration, Major Finance

Dear Madam,

This is my pleasure to display my entry level position as Trainee Assistant Officer regarding recruitment and selection process of IFIC Bank PLC.

I have attempted my best to finish the report with the essential data and recommended proposition in a significant manner.

I trust that the report will meet the desires.

Sincerely yours,

*Nawshin*

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Nawshin Ahasan

22164094

BRAC Business School

BRAC University

Date: June, 2024



## **Non-Disclosure Agreement**

[This page is for Non-Disclosure Agreement between IFIC Bank PLC and The Student]

This agreement is made and entered into by and between IFIC Bank PLC and the undersigned student at Brac University.....

## **Acknowledgement**

Firstly, all praise goes to the Great Almighty Allah for whom my internship report have got completed without any major interruption.

Secondly, to our supervisor Sayla Sowat Siddiqui, PhD for this kind support and advice in my work. She helped us whenever I needed help.

Thirdly, to all our honorable faculty members by whom we have been taught lots of valuable things throughout my university life.

And lastly, to our parents without their throughout support it may not be possible. With their kind support and prayer we are now on the verge of our graduation.

## **Executive Summary**

The foreign exchange and credit risk management policy, guideline and practice of IFIC Bank PLC has been studied in this report. Detailed introduction of the bank, objectives, scope, methodology, and banks limitations were covered. Company's overview is shown in the first chapter. The first chapter will bring light to the bank's mission, vision, goals and its core values also their objective. There is a short description about the bank's different services and products. Experience of the internship is described in the second chapter, where I highlighted tasks, responsibilities was given to me and the experience of working in a corporate setup. The most highlighted and important part of the report is 2<sup>nd</sup> and 3<sup>rd</sup> chapters where experience from the internship and practices of IFIC Bank on its foreign exchange and credit risk management. In addition to that I have added the standard practice maintained by IFIC Bank PLC on their foreign exchange and risk management. Incorporating my experience and implementing the resources and articles from IFIC Banks internal website in this report to enrich the information. The Bank is trying make a robust strategy and tactical move on developing their foreign exchange and credit risk management policy. I have included how this policy and guideline are being implemented and how the Bank officials are directed with the work to enforce these guidelines. I mentioned all the observation and findings also suggesting the gaps I found in the process to overcome the challenges.

IFIC Bank PLC has established themselves as one the top commercial banks in the financial sector contributing economy. With over 1300+ branches and sub-branches developing strong network to provide the best customer service. Their "One Stop Service" enables the clients with receiving all services from one place without moving to counter from counter. IFIC Bank is constantly developing and upgrading its technology and focusing more on digital transformation. IFIC Bank very recently received award for their performance and contribution in the financial sector. IFIC Bank is one the way to becoming one of the largest banking

channels of Bangladesh in terms of branches and profitability in the upcoming years. IFIC Bank maintains a high work ethic, great work environment, rich organizational culture which gives a fresher great opportunity to learn and gain meaningful experience.



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## List of Acronyms

ODI	One day International
T20	Twenty Twenty
IPL	Indian Premier League
CPL	Caribbean premier League
BPL	Bangladesh Premier League
MR	Runs scored by Home team
OR	Runs scored by the opponent team
MRN	Home Team Run Rate
ORN	Opponent Team Run Rate
Batord	Batting Order
MW	Home Team Wicket
OW	Opponent Team Wicket
MAE	Mean Absolute Error
RMSE	Root Mean Squared Error
LBW	Leg Before Wicket
NBA	National Basketball Association
CSK	Chennai Super Kings

## **Glossary**

Thesis	An extended research paper that is part of the final exam process for a graduate degree. The document may also be classified as a project or collection of extended essays.
Glossary	An alphabetical list of key terms

# **Chapter 1: Introduction**

## **1.1 Introduction**

The mobilization of financial resources is necessary along with other structural adjustments, such as promoting economic growth, improving the quality and efficiency of the workforce, improving organizational structures, and improving health and education systems. A competent and prosperous financial system leads to long-awaited economic development by creating financial resources that can be divided into three stages: savings, financing and investment. Financial institutions play an important role in the economic development of a country and serve as important links in the wider financial network by encouraging savings, facilitating interaction between depositors and investors and channeling credit to the productive sector. The well-being of Bangladesh's economy is closely linked to its banking system, which is a highly liquid enterprise. Analyzing a bank's financial activities is a serious analytical task that requires a special approach that takes into account the institution's specific risks. The introduction of IFIC Bank into the private sector has had a significant impact on the banking environment in Bangladesh. As the national economy teetered on the brink of collapse, the government took the bold step of handing over economic control to private companies. In this regard, many active entrepreneurs have expressed their desire to create a bank that will help the economic recovery of the country. IFIC Bank, the first generation private bank operating in Bangladesh, has become a major player. It has made a significant impact on the country's business community by incorporating well-structured online banking technologies that facilitate the provision of high-speed financial services to its customer base.

## **1.2 Origin of Report**

While formal education helps students gain greater access to the real world by awarding a degree, internship programs place students in real-world work scenarios, emphasizing theory and case studies and allowing them to experience professional activities. Intend Students can gain work experience by presenting, analyzing and evaluating their own work. All students pursuing a Master of Business Administration (MBA) degree from the Department of Brac Business School at Brac University are required to undertake a one-semester internship at a company of their choice. In this program, students are required to work for an organization for a certain period of time, gaining practical experience and specialist knowledge in various departments of the organization. For August, September 2023, I have been working as a trainee assistant officer at the Banani branch of IFIC Bank PLC and November, December 2023, at Gulshan-Tejgaon Link Road branch at IFIC Bank PLC. This is a 3 credit course. I decided to write an article titled "Foreign Exchange and Credit Risk Management of IFIC Bank PLC". This academic paper was written by Nawshin Ahasan, MBA student at Brac University with the assistance and guidance of supervisor madam Sayla Sowat Siddiqui, PhD and co-supervisor sir Mohammad Enamul Hoque, DBA.

## **1.3 Scope of the Report**

The scope of the investigation was limited to publicly available information and IFIC Bank's official website, as well as some internal data from IFIC Insight, the bank's internal policy and guidance portal. This report focuses on how credit and external risk management operations, authorizations, risk management, activities and policies are designed and implemented. All information is collected through internal and external websites of IFIC Bank PLC. To complete



the report, information was collected from branch managers, general managers and other employees.

## **1.4 Objective of the Report**

The main objective is to understand the foreign exchange and credit risk management policies and practices of IFIC Bank PLC.

## **1.5 Methodology of Report**

This report reflects the results of a three-month work experience at IFIC Bank PLC (Banani and Gulshan-Tejgaon Linkroad Branch). As a trainee assistant officer, I was tasked with gathering information in a rapidly changing business environment. Secondary data from the bank's internal and external websites were used for the study. The information was mainly collected through discussions and practical experience with relevant directors and other staff members in each department.

## **1.6 Limitation of the Report**

Although we have received great cooperation from all employees of IFIC Bank Banani Branch, there are still limitations that cannot be overlooked. These are:

- It takes more time to learn and control these large-scale operations and various other processes. A three-month work experience was not enough to really understand the bank.
- Due to the high level of confidentiality, the information is provided by the banking authorities.

- Due to the burden of responsibility and workload, bank employees could not give me much time, although they were willing to share their knowledge and experience.
- Information is not publicly available.

### **1.6.1 Overview of IFIC Bank PLC**

Established in 1976 under the leadership of a visionary government, IFIC Bank PLC was the first financial institution legally established within the sovereign borders of the People's Republic of Bangladesh. Since its inception, it has fostered a dynamic partnership between the Government of Bangladesh and private sector sponsors, underscoring its commitment to fostering national financial resilience while expanding its financial influence beyond its borders. Basically, IFIC Bank was born with two ambitions. It was seen not only as a cornerstone of regional finance, providing comprehensive financial solutions in the country, but also as a catalyst for building global financial alliances. This strategic foresight reflected his desire to promote financial connectivity on an international scale, paving the way for the establishment of joint banks and financial institutions across borders. A turning point came in 1983, which signaled a turning point for IFIC Bank. Following the government's decision to allow private sector banks, IFIC has undergone significant changes. From its initial role, it has evolved into a full-fledged commercial bank with comprehensive facilities to cater to the diverse banking needs of individuals, businesses and the economy at large. A key part of IFIC Bank's unique identity is its unique ownership structure. The Government of the People's Republic of Bangladesh holds a significant stake of 32.75% of the bank's share capital and is actively shaping the institution's trajectory. In addition to this participation of the state, the sponsor and the directors, who stand out for their vast experience in the field of trade and commerce, jointly own 4.11% of the authorized capital. The remaining property landscape

unfolds as a diverse tapestry of a mix of domestic and foreign entities, excluding general shareholder conditions. IFIC Bank's management model, which consists of three government-appointed board members, reflects the collaborative nature of its operations. This structure provides effective representation and strategic leadership. The merger of the sponsors' and directors' shares will result in a total stake of 36.86%, further strengthening their important role in directing the trajectory of IFIC Bank. In conclusion, IFIC Bank PLC has demonstrated a deft combination of government support, private sector expertise and global vision to clearly articulate Bangladesh's financial ambitions. Its evolutionary trajectory from a regional financial institution to a strong commercial bank reflects its flexibility and unwavering commitment to navigate the dynamic financial environment both domestically and internationally.

### **1.6.2.1 Vision of IFIC Bank PLC**

International Financial Institutions Corporation (IFIC) aims to establish itself as a premier financial services provider by promoting innovative, sustainable and inclusive growth strategies. Our goal is to deliver exceptional value to all stakeholders and set the standard for the industry.

### **1.6.2.2 Mission of IFIC Bank PLC**

The main objective of our organization is to provide excellent service to our customers by employing qualified and dedicated staff. Our unique combination of imagination, innovation and competitive advantage enables us to deliver high quality services to all the institutions and individuals we manage. Our organization is dedicated to the financial well-being and development of individuals and communities, while providing the motivation and drive for sustainable growth and success. In a highly competitive and complex financial and business environment, we focus on growth and profitability for all stakeholders.

### **1.6.2.3 Core Values of IFIC Bank**

**Integrity:** It is a fundamental value that should be consistently upheld in all aspects of our actions, without exception and throughout all contexts.

**Fairness:** It is a fundamental principle that guides our commitment to providing our clients with the highest quality products and services in a manner that is just and transparent.

**Innovation:** It entails the promotion and cultivation of creative thinking.

The organization has a strong dedication to providing exceptional customer service and enhancing the value for stakeholders by fostering a collaborative and cohesive team environment.

### **1.6.2.4 Strategy to priority**

- Achieve sustainable business expansion by prioritizing customer satisfaction by providing high quality and timely service.
- The main objective is to manage and manage the bank effectively so that it can achieve its goals successfully.
- Maintain sufficient cash reserves to support further expansion.
- Effective and efficient strategies must be implemented to achieve optimal risk management practices that contribute to sustainable business growth.
- The use of structured finance is recommended to increase the diversity of the loan portfolio and expand the corporate, small and medium enterprises (SMEs), agriculture and retail sectors.
- Implementation of advanced technologies and adoption of new concepts to achieve financial inclusion.

- Emphasis should be placed on human resource development and training to create a workforce that can effectively serve customer needs.
- To raise awareness of the Bank S brand, we will work to create a positive perception of the institution. It is very important to prioritize these goals if you want to show yourself as a trendsetter in the field of social services and maintain a high level of environmental impact. Establishing and maintaining sound corporate governance protocols
- To increase financial mobility, the development of the Internet and mobile financial services is necessary. Improve the value proposition for all stakeholders.

### **1.6.2.5 Goals of IFIC Bank PLC**

- The objective is to establish a dominant position in the market by offering superior banking goods and services.
- The organization strives to achieve exceptional levels of client service by implementing cutting-edge and advanced technological solutions across several financial domains.
- In order to contribute to the industrial advancement of the nation, it is imperative to foster the engagement of young, educated entrepreneurs who possess the potential to undertake productive ventures and showcase their innovative abilities. This will effectively facilitate their involvement in the overall progress and development of the country.
- The objective is to offer loan facilities to small and medium-sized entrepreneurs situated in urban and suburban areas, ensuring convenient accessibility through our branch network.
- In order to mitigate reliance on moneylenders.

- In order to foster self-sufficiency among small and medium enterprises.
- In order to cultivate a mindset of saving and familiarize oneself with financial services, it is important to engage in activities that promote these behaviors.
- The objective is to motivate individuals to engage in small-scale projects aimed at generating cash and creating employment opportunities.
- In order to guarantee a significant return on investment
- The objective is to pursue profitability and sustainable expansion.
- In order to exert a substantial influence on the economic advancement of the nation.
- In order to safeguard against the illicit practice of money laundering.

#### **1.6.2.6 Features of IFIC Bank PLC**

Features of IFIC Bank which makes all the services easily accessible to their customers without leaving your comfort. IFIC bank introduced their One-Stop solution on 2017 which allowed the customer to avail all the general banking services from one counter minimizing the problem of waiting in long lines for service. In 2023 IFIC Bank has reach the mile stone of 1300 Branch and Sub-branches in all over the nation to bring services at door step. IFIC Bank has also mobile banking services and is working on developing a new mobile application to enhance the quality and increase the accuracy of services they're currently providing. Investing over 1000 crore BDT to develop their new mobile app to better serve their client and customers.

- IFIC Bank PLC is heavily working on digitalizing and modernizing their customer and employee experience.
- IFIC Bank has affiliation with every commercial bank of Bangladesh which allows clients of other Banks ATM machine without any cost.

- The Flagship products of IFIC Bank (AMAR account) a general saving account with all facilities of credit card.
- Credit division also provides loans and other services that attracts more clients.

### 1.6.2.7 Products and Services

IFIC Bank PLC being one of the oldest commercial banks operating in Bangladesh since the inception of a new nation has come a long way with its products and services adapting to modern needs and rapidly growing financial sector. Innovation and consistent efforts to change the face of nations financial sector and creating an impact IFIC bank has launched many products under its name which are as follows:

Personal Banking	Business Banking	Digital Platform	Other Services
• IFIC Amar account	• Trade Finance	• Digital Account opening	• IFIC Amar Protibeshi
• IFIC Shohoj Account	• SME & Agri Business	• IFIC Mobile app and Desktop version	• IFIC one stop service
• IFIC Amar Bari	• Sustainable Finance	• IFIC VIVR	• Locker Service
• IFIC Amar Bhubishawt	• Treasury Business	• iBanking	• Remittance Service
• IFIC Freelancer account	• IFIC Securities	• SMS Banking	• Sanchayapatra

	Limited		
• Deposit products	• IFIC Investment Limited	• IFIC MFSfund transfer	• NRB Accounts
• Fixed Deposit		• Self-Service Income Tax	• Student file
• Card		• Self-service income tax return proof submission	• Govt. Service Investment windows

**Table: 1.0**

### 1.6.2.8 SWOT Analysis of IFIC Bank PLC

#### **Strengths:**

- IFIC Bank has garnered a commendable standing within the banking industry. This financial institution holds a prominent position as a premier private-sector commercial bank inside the country of Bangladesh. The bank possesses a network of over 1300 branches and sub-branches in order to cater to its clientele.
- IFIC Bank exhibits a corporate culture that is characterized by interactivity. The working environment exhibits a high degree of friendliness and interactivity, fostering effective communication that serves as a significant motivating element for potential customers.
- The organization exhibits exceptional management practices, which are adept at promptly addressing and resolving any emerging issues.



- The organization demonstrates a strong level of client loyalty and possesses a highly skilled and knowledgeable Human Resource team.
- The majority of its branches are equipped with a modern automated banking system, which facilitates and enhances the entire banking operations.
- The bank offers a comprehensive solution that customers can use from a single counter at the bank.

**Weakness:**

- Heavy dependency on the Head Office in decision-making sometimes slows the work process.
- Lack of extrinsic and intrinsic rewards & incentives for the employees from management sometimes results in job burnout.
- High dependency on ‘word of mouth’ strategy instead of obtaining any marketing strategy.
- Absence of teamwork between branches.
- IFIC Bank uses 80+ different software to RUN its operation. Learning and becoming an expert of this many software’s is highly challenging for an individual employee which hampers their productivity leading to making mistakes that can cause collateral damage.
- Branding and visibility are not sufficient

**Opportunity:**

- Shohoj account which only takes 10 BDT to open and have daily interest facility can be a great opportunity to expand the banking to rural people and encourage them to savings.
- IFIC already has flagship products and cutting-edge technology with proper marketing will onboard customers from all demographic.
- Bangladesh being a growing economy is booming with new opportunities
- Relationship Management.

**Threats:**

- Competitions are always on the rise as the financial market is growing the number of competitors is also increasing
- Similar types of retail banking products, such as insurance companies, stock exchanges, financial institutions, etc.
- Frequent changes in rules and regulations from Bangladesh Bank.
- Lack of awareness about the services and changing rules of BB not being communicated can lead to customer dissatisfaction.

## 1.6.2.10 Credit Rating of IFIC Bank PLC

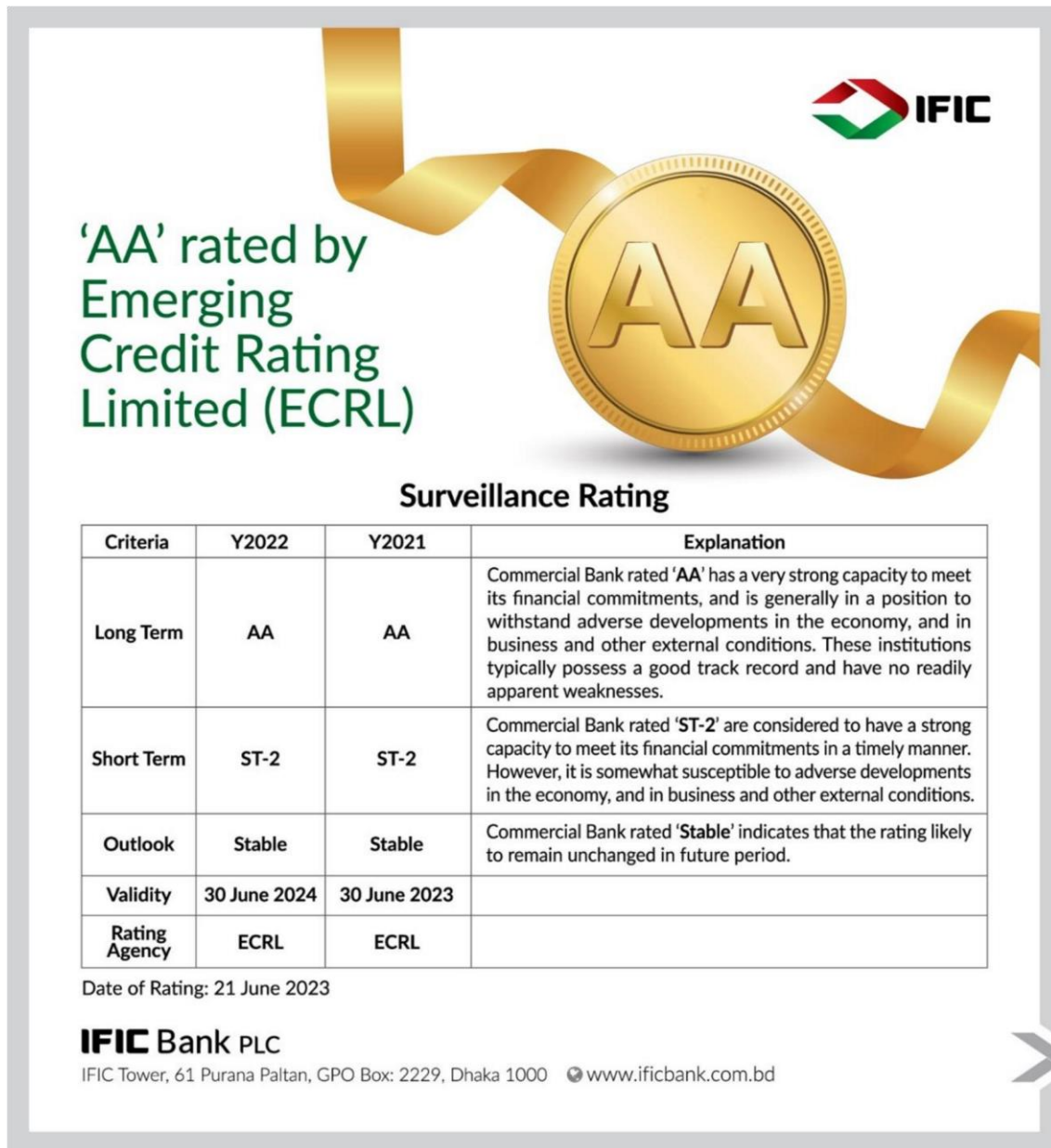


Figure: 1.0

## **Chapter 2: Project Learning**

### **2.1 Literature Review**

Banks should pay particular attention to managing credit risk and foreign exchange in this era of financial globalization. Banks are subject to a variety of risks as a result of fluctuating foreign exchange rates and unpredictability in borrower creditworthiness as they conduct cross-border business and lend money. This analysis of the literature focuses on the methods and tactics used by financial organizations, such as IFIC Bank, to manage credit risk and foreign exchange in the banking industry.

Foreign exchange risk, commonly referred to as currency risk, is the possibility that changes in exchange rates will have a negative financial impact on the income statement and balance sheet of a bank (Jorion, 2006). In order to maintain their profitability and solvency, banks must control this risk. Academics stress the usage of derivatives to protect against currency risk, such as futures, swaps, and options (Bodnar, Dumas, & Marston, 2005). These tools give banks the ability to reduce any losses brought on by unfavorable exchange rate changes. For banks that provide loans to a variety of customers, credit risk, also known as default risk, is a major worry. Assessing borrower creditworthiness, establishing appropriate loan limits, and putting policies in place to reduce possible losses are all part of effective credit risk management. Banks can assess the chance of default through the use of credit scoring models and risk assessment systems (Altman, 1968). These technologies enable banks to deploy resources effectively and make well-informed loan decisions.

In order for financial institutions to successfully traverse the intricacies of the world's financial markets and lending activities, foreign exchange and credit risk management are essential elements of their operations. To guarantee its financial stability and reputation in the business,

IFIC Bank likely incorporates knowledge and best practices from the literature into its foreign currency and credit risk management measures.

## **2.2 Job Description**

This report is based on the learning, observation and hands on experience from the internship that I accumulated from IFIC Bank PLC Banani branch credit division. Working with the credit team has given me valuable insight and helped learn new knowledge through participation.

### **2.1.1 Key responsibilities**

1<sup>st</sup> two weeks I was tasked with learning the different service of General Banking

- Understanding, assisting and performing duties of a CSM (Customer Service Management)
- Using IFIC Bank's internal software for transaction management (**MISYS/CES/IFIC insight**)
- WLC verification of clients and organization

2<sup>nd</sup> two weeks I was tasked with learning the responsibilities and work of a Credit Service officer

- Learning about the credit risk management guideline and policy of IFIC Bank PLC
- Working on the CIB (Credit Investigation Bureau) report
- How to assess the risk of individual and organizational loan applicants
- What are the steps taken to optimize the credit risk. 5<sup>th</sup> weeks I was tasked with IFIC

Banks Retail Division

- Learning how to promote banks products

6<sup>th</sup> week I was tasked with Learning functions of the foreign exchange division and its policy and guideline. As IFIC Bank's Foreign Exchange division is centralized it was not possible to

get hands on experience working in the branch office. But the Banks Manager and other Officers were very helpful and provided me with all necessary information and answered my questions.

- Studying the policy and guideline of Foreign Exchange
- Understanding the process of Foreign Exchange of IFIC Bank PLC

I worked with different departments and consulted with the officers of the bank to gain practical and hands on experience.

### **2.1.2 Experience**

IFIC Bank PLC have arranged a centralized 5 step recruitment process to on 55<sup>th</sup> Transaction Service Officer batch. At first all the candidates who were selected after the **Resume sorting- Initial interview- Final viva** was onboarded and we received a one month training at IFIC Tower at Purana Paltan. At final day of the training session all the officers were allocated a branch office to gain practical experience of Banking Operation. During the training sessions we were given brief about different functionalities of a commercial bank, responsibilities, practices of bank officials. They preached us about the norms of Banking corporation and services. Gave us tour of the HQ (Head Quarter). All the bank officials and other members were very helpful and supportive throughout the whole time.

They showed me how to achieve goals and perform responsibilities on my own. The most important aspect is that I've learned a lot about how banking operations, policy, guidelines are implemented. Within the first two week I was lucky enough to experience the audit process of Banani Branch of IFIC Bank which is done annually. Observing the audit process was a great learning opportunity. I got to experience how text book theories were implemented in a real audit scenario. Seeing what we learned from our teachers inside the classroom being implemented in the real world gave me a great joy.

I was able to understand how the audit process creates accountability. Working with the credit division was also a great learning opportunity. The experience was new to me. Implementing policies and guidelines set by the authority, maintaining them, constantly updating through feedback from the clients and making a more robust policy to minimize the risks associated with the credit services have given me new perspective of how diverse and interesting banking can be. By studying the internal policy and guideline that we I was gained valuable insight of banks internal policy. Although I was given limited access because of the confidentiality nonetheless it was very insightful. I gave me a valuable lesson about these financial organizations.

### **2.1.3 Work – Related**

Internship programs is a combination of theoretical and practical knowledge. It gives the practical ways of dealing with task and responsibilities assigned. In my internship tenure I got to experience different divisions of the banking sector. Gathered knowledge and information to enrich my learning. Being part of different division, I got hands on experience of several responsibilities.

The credit division of IFIC Bank PLC, Banani branch consisted of 5 officials. The Foreign Exchange division of IFIC Bank PLC is centralized therefore being assigned to a branch did not allow me to get a up close experience of the Foreign Exchange division. Despite that I was given the policy guideline of the respective division to complete my report. At the beginning of my internship I also got the experience Different software's used to run daily operations of IFIC Bank PLC. Their core responsibilities are:

- Processing approval on standard time
- Frequently maintaining the credit review
- Loan documentation and process maintenance

- Fulfilling the compliance requirement
- Credit monitoring
- Follow-up with the borrower and taking Corrective measures
- Internal loan review and Changes to the credit risk rating
- Timely identification of problem assets
- Interaction with borrowers
- Loan rescheduling
- CIB Reporting of Rescheduling loan
- Preparing Risk appetite statement
- Using CES to generate tax report, monthly/yearly bank statement
- MYSIS is another software that is used to process transection, contra-posting, daily closing, customer account information update.
- Studied the Foreign Exchange activities
- Foreign market views
- Code of conduct of the foreign exchange dealers

Here, I bring the gist of the tasks and duties that I was assigned to or I assisted. I task was mainly focused on process monitoring, report preparation of loan for the client, follow-up with clients and using MYSIS/CES software's to track client's information and update as well.



## **Chapter 3: Project**

The internship experience provides students with a combination of theoretical and practical knowledge, enabling them to comprehend how to apply academic knowledge to solve real-world problems. The specifics of IFIC Bank PLC's credit risk management and foreign exchange policies will be covered in this section.

### **3.1 Foreign Exchange**

A financial institution that has assets or obligations denominated in foreign currencies is exposed to foreign exchange risk. Because of exchange rate fluctuations, this risk may have an impact on the bank's capital and earnings. For the forthcoming term, it is impossible to predict the future exchange rate with any degree of accuracy. Since the object can move both upwards and downwards, its movement is not limited by previous estimates or forecasts. The Bank's assets and financial gains could be at risk due to this movement's potential volatility, especially if it happens in an unfavorable or unexpected way.

Commercial banks purchase and hold assets and liabilities denominated in foreign currencies through active foreign exchange trading. Commercial banks purchase and hold assets and liabilities denominated in foreign currencies through active foreign exchange trading. They are consequently constantly at risk from changes in foreign exchange rates. Due to its trade and non-trade services, the commercial bank is subject to foreign exchange risk.

#### **3.1.1 Centralized Foreign Exchange activities**

Unlike other organizations, banks must have access to the wholesale market in order to correct imbalances and gaps in their balance sheet and ultimately aim for peak performance. In addition

to being used for proprietary trading and arbitrage goals, wholesale activities serve as a way to address gaps and mismatches.

There are two different types of wholesale activity: the money market and foreign exchange, which are relatively interdependent. The creation of a single treasury department allows banks to combine their money market and foreign exchange operations.

### **3.1.2 Foreign exchange process**

A trader transacts in the market within the parameters of the Bank's treasury infrastructure and then maintains a personal record to monitor the exchange position. This is achieved by means of an automated system that subsequently forwards all pertinent transaction details to the Treasury Back Office. The back office division is in charge of organizing the counterparty confirmation process, assisting with settlement, balancing exchange positions, and offering advisory services to the Treasury division. They also perform periodic valuations.

#### **3.1.2.1 Dealing Room**

The traders must have access restrictions placed on their workstations because they use a variety of communication tools that give them real-time global pricing information for a variety of goods. As a result, dealers are located in a closed area known as the "Dealing Room," which is only open to dealers and related employees. Through the use of electronic access control mechanisms, access to the dealing room is restricted to those who are specifically authorized.

#### **3.1.2.3 Deal Recording**

- **Dealing room**

The work environment in a dealing room is marked by constant activity and rapid pace, and the profession itself is highly demanding. When a trader continues to execute trades in the

previously mentioned scenario, their focus remains on the market. As a result, there is a chance that a trader will forget about or record something incorrectly regarding a part of a deal.

- **Potential Risk**

It is necessary for a trader to promptly document the transaction as soon as it is completed in order to reduce this potential risk. There are two different ways that the deal documentation process needs to be carried out.

- **Position Blotter**

As soon as a transaction is finished, the trader must immediately update the position and record the transaction's details on the position blotter. Trading professionals need to be acutely aware of their position at all times. The ability to take advantage of automated or integrated trading systems that store transaction records electronically and do away with physical paper deal slips is imperative, as is the need to act quickly on any opportunity that arises.

- **Deal Slip**

A trader must promptly record the relevant details of a transaction on a designated document, also known as a deal slip or deal ticket, to guarantee timely and accurate documentation. The transaction slips at IFIC Bank are produced digitally by an automated system using user inputs. The transaction slip contains a number of important details, such as payment instructions, counterparty information, the designated value date, the amounts and currencies involved, the relevant exchange rate, and other relevant information.

- **Deal Delay**

Deals that traders execute must be processed by the treasury back office, which means that deal details must be communicated as soon as possible. In addition to being a responsible business

practice, the process of entering the and transaction timeframes into the automated system and sending them to the back office is necessary to monitor credit risk, market risk, and regulatory compliance.

Products	Time	Time
SpotFX	Within 10 minutes	Within 30 minutes
ForwardFX	Within 10 minutes	Within 30 minutes
FX Swaps	Within 10 minutes	Within 30 minutes
Call Money	Within 10 minutes	Within 30 minutes
Money Market Team	Within 10 minutes	Within 30 minutes
Foreign Currency Deposits	Within 10 minutes	Within 30 minutes
Repo	Within 10 minutes	Within 30 minutes
Reverse Repo	Within 10 minutes	Within 30 minutes
FX Option	Within 10 minutes	Within 30 minutes
T-Bill	Within 10 minutes	Within 30 minutes
Bond primary	Within 10 minutes	Within 30 minutes

Table: 1.2

- **Counterparty Limits**

The issue of counterparty limits emerges from the possibility of a customer defaulting on a mutually agreed-upon arrangement between an organization and that customer. In the context of a foreign exchange contract, credit risk pertains to the possible risk that is connected to the counterparty in a financial transaction. This risk appears when the counterparty fails to meet its payment obligations on the same value date as the foreign exchange contract or before the agreed-upon value date. IFIC Bank has established a reasonable counterparty limit for its foreign currency exposure in order to reduce potential risks. The maximum amount of exposure that the bank is willing to take on in relation to a particular counterparty is represented by this limit. The limitations are approved.

- **Trigger**

A trigger is a particular level or threshold within a position that causes an organization to alert management. This could be related to an unusual volume of trading activity or the market value of a specific position.

- **Stop Loss Orders**

The place under consideration is a special area furnished with a dealing room where people trade currencies once the value of a given currency hits a certain threshold. A stop-loss order is intended to limit the possible loss of money that a trader in a foreign exchange (FX) position could sustain. The foreign exchange market is typified by a notable degree of volatility, which offers traders the chance to make substantial gains but also exposes them to substantial losses. For this reason, the bank's treasury division employs a skillful trading strategy that includes stop loss orders, which have been approved by the board of directors, in order to efficiently reduce risk.

With the aid of a stop loss order, a trader can set a price threshold, either as a minimum or maximum, at which they would be required to carry out a transaction in order to buy or sell currency.

- **Appropriateness of Dealing**

In the course of conducting business with a client, bank traders must be aware of the counterparty's trading strategy and product offering. They also need to assess whether the client is conducting business in a way that complies with accepted norms and standards. It is the trader's responsibility to make sure that a client's activity levels and product types are appropriate and consistent with their business needs. It is also necessary for the trader to confirm that the client is fully aware of the risks involved in these kinds of transactions. It is crucial for a trader to confirm that the counterparty has the required authorization to complete a transaction before completing the financial posting.

- **Rate Appropriateness**

The IFIC Bank's Treasury Back Office thoroughly reviews every transaction that is carried out at market-based rates. Any transactions carried out at rates that are not in line with the going rates in the market should be reported to the appropriate trader for a thorough explanation, and the Chief Dealer or Head of Treasury should be notified of this information. The bank has the right to launch further inquiries if the trader offers an explanation that is thought to be unsuitable. To ensure that no incorrect rates are applied, a monitoring procedure must be put in place.

- **Deals Outstanding Triggers**

As standard procedure, the Treasury Back Office keeps a close eye on all outstanding deals from the Treasury to make sure that any deviations from the usual trend in activity levels are quickly noted. The management of the bank has the option to set a preset threshold for all

unpaid foreign exchange contracts at any given time. If the trigger exceeds the set threshold, the Treasury Back office is required to bring the issue up with the Head of Treasury so that they can take additional action and review it.

- **Daily Risk recording**

The task of compiling all daily positions—with an emphasis on end-of-day positions—into a report format falls to the Treasury Back Office and Treasury Mid Office. The purpose of this is to inform the relevant Deputy Managing Directors of updates. The optimal report should contain details about the number of days the profit and loss exceeds the triggers and stop loss limit, the interest rate exposures of the balance sheet, the use of counterparty credit limits, the outstanding open positions in relation to the limit, the outstanding exchange positions classified by currency, and the outstanding foreign exchange forward gaps categorized by tenor in the MCO report.

### **3.2 Credit Risk Management**

Prominent first-generation bank IFIC Bank Limited has put in place a number of measures to guarantee long-term business expansion and efficient risk control. Among the five major hazards that banks encounter, credit risk management is generally acknowledged as the most significant risk category. Implementing robust policies, adhering to strict compliance measures, and timely making adjustments to these regulations are all necessary for the effective management of credit risks. The most recent update to the Bank's credit risk management policy was made in 2011. On March 8, 2016, the Bangladesh Bank published "Guidelines on Credit Risk Management (CRM) for Banks," a new credit risk management policy. The credit risk management policy of Bangladesh Bank has to be revised immediately in light of Basel-III's implementation, the Bank's updated policy guidelines, the changing nature of the money market, credit cultures, and the diversity and dimensions of risks. The Credit Risk Management

Policy has been developed in compliance with the Credit Risk Management Guidelines that Bangladesh Bank, the regulatory body, has provided. It also considers the pertinent circulars that Bangladesh Bank has issued on different dates, along with the Bank's internal policy intended to improve the appropriateness of the function of the bank.

### **3.2.1 Definition of Credit Risk**

Credit risk arises from the potential for borrowers to default on their loans in accordance with the terms of the agreement, which could have a negative effect on the bank's capital and profitability. Generally speaking, credit risk is regarded as the main and most obvious source of credit-related uncertainties. However, credit risk can originate from endeavors that are undertaken off-balance sheet as well as on the balance sheet, such as guarantees. This phenomenon can be explained by either a lack of ability or a lack of desire to fulfill the agreed-upon contractual obligations. A financial institution's dealings with small and medium-sized businesses and individual families can lead to credit risk. Potential customers for services or goods may include financial institutions, corporate clients, other banking facilities, or sovereign entity.

### **3.2.2 Policy to address High Credit Risk**

In the same way that credit risk for a single loan can be estimated, credit risk for a bank as a whole can also be evaluated at different levels. As opposed to how credit risk is evaluated when a loan is involved. However, assessing credit risk for a large organization is a multifaceted process that involves a variety of quantitative and qualitative components. The salient features that summarize its importance are as follows. Compared to total assets and equity capital, the amount of loans is substantial.



The risk ratings assigned to banks in both the standard and special mention categories are inadequate for effectively categorizing risk for early warning systems or other objectives, such as loan pricing or capital allocation.

- The loan growth rates show a significant departure from both national trends and patterns found in similar institutions.
- The number of loans has increased above the originally anticipated levels, straining the staff's and management's skills and knowledge.

The primary source of revenue for the Bank is primarily derived from high-value clients. The loan yields show a high level of asymmetry between the level of risk and the corresponding return.

- The financial organization has one or more notable specializations. The internal threshold for concentration has been exceeded.
- There are clearly no notable shortcomings in the credit culture.
- Business and/or strategic plans encourage the acceptance of high levels of risk.
- The order in which income-related issues are prioritized has a big impact on how people plan.
- There is often a propensity for concentration limits to be exceeded or elevated, if applicable;
- The bank launches new loan products or activities without conducting sufficient due diligence testing.
- There is currently insufficient staffing in the roles of origination and administration.
- The Bank approves significant policies, but it doesn't analyze the effects of these policies on portfolio quality or offer individual or aggregate reports on them. Policy exceptions are also exempt from the required approval procedure.

As a result, it's possible that senior management and the Board aren't getting enough or the right information to assess and comprehend the bank's credit risk profile.

### 3.2.3 Concentration Risk

Even with our best efforts at loan origination and administration, if there is a substantial concentration of loans in our loan book, it may still result in high credit risk and poor credit risk management. Concentration risk is a phenomena that arises when a large percentage, or even all, of our assets are invested in a small number of people, companies, industries, or financial instruments. The bank's overall stability and ability to continue its core operations are at risk in the event of a decline in concentrated activities and/or areas, which could cause the bank to suffer large financial losses relative to its capital. The following credit concentration risk areas will be our focus:

- Sector wise exposure
- Division wise exposure
- Group wise exposure
- Single borrower wise exposure
- Top borrower wise exposure

### 3.2.4 Facilities offered to corporate clients

- **Overdrafts:** Credits are allotted to the client's account, usually with a one-year expiration date and a predetermined maximum. This specific kind of facility is used under the client's current account. Customers of this specific type of financial institution are free to deposit and withdraw money, provided they follow the guidelines and take into account the available balance in their account, if any.
- **Secured Overdraft:** These overdraft facilities include Fixed Deposit Receipts (FDRs), which are secured by financial obligations. It is typical in these types of facilities to set a margin

depending on the client-banker dynamic. The terms of approval set forth by the lending authority, if any, apply to this margin. Generally, it is thought that a margin of 10% to 20% of the financial obligation's present value is ideal.

- **Cash Credit:** Since these services involve setting a predefined limit on an account for a period of time not to exceed a year, they are similar to overdrafts.
- **Cash Credit- Hypothecation:** Stocks in trade and inventories are considered primary security under this specific classification. It's crucial to remember that the borrower keeps custody of these assets; the bank is not charged with anything. By comparing the stock to the lower of its cost or market value, the valuation of the stock is determined. The designated price (DP) is determined by establishing a margin based on this valuation.
- **Demand Loan:** All of the loans that are being considered have set repayment terms that need to be met in a full year. The main difference between this type of loan and Cash Credit Facilities or Overdrafts is that this loan does not permit mutual operation in the account. The amount that has been deposited or adjusted permanently lowers the borrower's liability and is no longer available for withdrawal. Among the current services provided by IFIC Bank are demand loans, which address the ancillary requirements of customers by, for example, giving out festival bonuses and salary allowances in an emergency.
- **Loan General:** A revolving short-term loan is a type of loan product intended to help customers with working capital. It provides the money needed to pay bills. Value-added taxes are levied by the government, and rules governing individual withdrawals are set, usually with a one-year cap.
- **Time Loan:** Time loans work similarly to other types of loans, like demand loans or general loans. To improve the lucidity and precision of its offerings, the Bank is speculating about renaming its demand loan and loan general as Time/Short term Loan. The goal of this suggested renaming is to give a more accurate and representative description of each facility.

- **House Building Loan:** All organizations, including businesses, corporations, and individuals engaged in the creation of commercial structures, can benefit from and implement this principle. It is typical for banks to set a predefined optimal exposure level when it comes to term loans.

This is an important consideration when assessing financing options that fit into this category. Apart from carrying out an exhaustive assessment of the borrower's creditworthiness, assistance is extended only to those clients whose financial records are deemed satisfactory.

- **Transportation Loan** This specific loan is intended to help with the purchase of a variety of vehicles, such as cars, boats, and airplanes. Finance is only available for vehicles that are completely reconditioned or brand new. When granting transport loans to non-IFIC employees, suitable collateral security is frequently needed.

- **Lease Finance:** These loans are used to reduce a particular financial institution's risk exposure because they usually involve a significant amount of credit.

- **Foreign Bills:** This type of financing deals with obtaining foreign clean bills, like foreign currency checks and draughts. Usually, the facility is awarded to a very distinguished and well-known client.

- **Import Finance:** Pre- and post-import financing options are included in the import finance offered by the International Finance and Investment Corporation (IFIC). The bank's funds are not taken into account in pre-import financing and are therefore excluded from the bank's total loans and advances. On the other hand, when the bank provides funds for post-import financing, those funds are part of the bank's total loans and advances.

- **Back-to-Back LC:** Back-to-Back Letter of Credit, or BB L/C, is a type of preshipment financing where a Letter of Credit (L/C) is established in favor of a domestic or foreign

supplier. Depending on the precise needs of an export order, this financing arrangement is used to purchase finished goods or raw materials.

- **Export Finance:** Pre- and post-shipment phases of the export trade are where the International Finance and Investment Corporation (IFIC) advances, much like the import trade does. The reputation and credibility of the party initiating the export letter of credit (L/C), the party receiving its benefits, the bank issuing the L/C, and both are important considerations in this specific category of advancements. To ascertain the financial terms involved, the terms of the export letter of credit (L/C) are carefully examined.

### **3.2.5 Risk Evaluation**

- Credit proposal must be analyzed and routed through defined credit decision process for its approval and all the officers involved in the process will be responsible towards this credit. This requires that all officers signing a Credit Policy satisfy themselves that they have adequate knowledge on which to base their judgment.
- Objectivity must be maintained. Credit Risk Management is a continuing process of evaluation and officers must be willing to re-assess and change their assessment in the light of changed circumstances.
- Credit proposal must cover information/ documents bearing negative as well as positive aspects of the proposed exposure
- A system which relies on common sense and sound judgement should check that these qualities are actually in evidence. For this reason, within the credit chains by the on-delegation of credit authorities, it is a requirement to hindsight review decisions. The hindsight review

process is an integral to credit risk management as the approval process itself. It provides an ongoing validation to delegate credit authorities as well as a second review of credit decision.

### 3.2.6 Credit Risk Evaluation

A minimum requirement for the thorough process of risk evaluation is that an analyst create a CRG, review the CIB, Financial Statements, account statement, performance with the bank, and other strengths, as well as pinpoint the proposal's strong and weak points. The credit appraisal process is led by a credit analyst. The effective execution of a credit analyst's duties is essential to a resilient lending strategy.

Credit risk refers to probability that the borrower will not make payment as per agreed terms or covenants.

The borrowers may not perform as per agreed terms due to two reasons:

- Not having Capacity to pay
- Unwilling to pay

A credit analyst must analyze both inability to pay and unwillingness to pay to select right borrowers and right mode of financing.

- **Business Risk:** Business risk arises when the borrower fails to realize expected sales or revenue to recover its fixed costs.

In this regard, the following can be consulted to analyze business risks of the client

- **Attractiveness of Industry:** Porter's five forces model identifies five factors to consider to evaluate attractiveness of industry.

- Entry Barriers
- Exit Barriers
- Bargaining power of buyers
- Bargaining power of sellers

- Rivalry among competitors
- **Other Factor**
- Industry Growth
- Industry life cycle
- Market Volatility
- Borrowers position in the industry
- Market share of the borrower
- Domination of the borrower
- Product Nature of the borrower
- Break even sales of the client
- Margin of safety of the client
- Growth of sales of the client in relation to industry
- Sources of the information to assess the Business Industry
- Clients Application
- Financial Statement
- Client Interview
- Market Survey
- Industry Publications
- External Credit Rating Report
- Accounts Statement
- ○ Export and Import Volume
- Management Risk:

Management risk are to be assessed to know both ability of the borrower to pay and willingness of the borrower to repay the borrowed amount. Under this category

- Managerial/ entrepreneurial ability

- Total years of business experience
  - Total years of experience in this particular line of business
  - Management proficiency and whether professional management team is in place
  - Existence of corporate governance in business of the client
  - Ready Succession
  - Dealing of the borrower with bank officials
- Financial risk

Financial risk refers to risks that the borrower will not be able to repay the financial obligation due to insufficient profit before interest and taxes.

### 3.2.7 Credit Risk Grading

<b>Risk Grading</b>	<b>Description</b>	<b>Review</b>
Superior - SUP 1	Fully Secured	Annually
GOOD - GD 2	Strong Capacity to repay	Annually
Acceptable - ACCPT 3	Not strong but Good Borrower	Annually
Marginal / Watch list – MG/WL- 4	Condition not in favor of Borrower	Half yearly
Special Mention – SM - 5	Weak capacity	Annually
Substandard- SS- 6	Weak capacity & Doubtful	Annually
Doubtful – DF- 7	Possibility of loss is high	Annually
Bad & Loss – BL - 8	No payment in long time	Annually

Table: 1.3



### **3.2.8 Credit Risk Mitigation**

To reduce credit risk, banks take a number of steps, including using guarantees and collateral. The main goal of credit risk mitigation strategies is to lessen the bank's exposure to credit risk. These agreements can be made between the bank and the borrower or with a third party. Credit risk mitigation should not be seen as a substitute for careful loan administration and underwriting procedures. Since they aren't regarded as primary sources, secondary sources of loan repayment make sense for them.

Given the often lengthy, arduous, and financially taxing process involved in the collateralization or invocation of guarantees, care should be taken when deciding whether or not to use collateral or guarantees for our loans. When the repayment of a loan is dependent on the collateral being used exclusively, continuing to function as collateral, or both, it is referred to as collateral reliant.

### **3.2.9 General Terms and conditions**

Banks employ several measures, such as the utilization of collateral and guarantees, in order to minimize credit risk. Credit risk mitigation techniques encompass agreements established either between the bank and the borrower or between the bank and a third party, with the primary objective of reducing the credit risk exposure faced by the bank. The presence of credit risk mitigation should not be regarded as a replacement for thorough loan underwriting and loan administration practices. Secondary sources of loan repayment are the appropriate categorization for them, as they are not considered primary sources.

In light of the frequently protracted, laborious, and financially burdensome nature of the collateralization or invocation of guarantees, it is advisable to exercise caution when considering the reliance on collateral or guarantees for our loans. A loan is classified as

collateral reliant when its repayment is contingent upon the sole use of the seized collateral, the ongoing operation of the collateral, or a combination of both.

- Prophesied objects, equipment, fixtures, furniture, and machinery need to be adequately insured. The bank's mortgage clause
- Assure/LIM items have adequate insurance the bank's mortgage clause
- Before opening a letter of credit (L/C), the beneficiary must obtain a credit report that they deem acceptable.
- In the event that business conditions materially or adversely change, the bank retains the right to demand immediate repayment of the outstanding balance.
- The bank has the power to reverse transactions between the client's or group's accounts.
- The client bears responsibility for any fluctuations in the exchange rate.
- The bank's approval is necessary prior to modifying the borrower's ownership structure in any way.
- The client is not allowed to take out loans from any other source without first getting permission from the Bank.
- The bank must approve a client's declaration of dividends or withdrawal of profits.

### **3.2.10 Approval Process**

The IFIC Bank approval process helps to reinforce the division of labor between the Approving Authority and Relationship Management/Marketing. The branch management of the relevant credit unit should be tasked with preparing credit proposals and applications. The Head of Marketing and Sales and the Branch Manager/Relationship Manager should suggest that credit applications be approved. The application should then be sent to the Head Office's Chief Risk Officer for final approval, which requires the consent of the Board, Executive Committee,

Managing Director, Chief Compliance Officer, and Chief Risk Officer. Procedure for approving credit

1. Applications and proposals for branch credit should be sent to Head Office, Chief Credit Officer, or Chief Risk Officer for approval or endorsement.
2. The chief risk officer (CRO) or chief credit officer (CCO) will give the plan to a credit analyst, association, or small- and medium-sized business (SME) management for review. They will then write a memo or credit note requesting approval from the appropriate body, utilizing the authority that has been delegated to them.
3. Chief credit officers, SMEs, and CROs will delegate authority to approve proposals, and if they are beyond their purview, they will forward them to the next approving authority.
4. The Managing Director will present or approve the proposal to the EC or Board in line with the assigned authority.
5. The EC/Board notifies the Marketing Director of the decision.
6. The Head Office Credit Analyst/ Associate will advise the Branch Manager on the choice.
7. Each sanction must be countersigned by the SME manager or Chief Credit Officer if needed.

### 3.2.11 IFIC Banks focus on segmenting industries

<b>Encouraged Sectors</b>	
<ol style="list-style-type: none"> <li>1. Agriculture <ul style="list-style-type: none"> <li>• Farmers</li> <li>• Fishing Professional</li> <li>• Dairy farmers</li> <li>• Poultry Farmers</li> </ul> </li> <li>2. Manufacturing Industry <ul style="list-style-type: none"> <li>• Milk processing</li> <li>• Food processing</li> <li>• Cement</li> <li>• Brick and Ceramics</li> <li>• Handloom</li> <li>• Handicraft</li> <li>• Leather and Leather products</li> </ul> </li> <li>3. Power and Fuel Companies <ul style="list-style-type: none"> <li>• Electricity Generation Companies</li> </ul> </li> </ol>	<ul style="list-style-type: none"> <li>• Glass and Glass products</li> <li>• Steel Engineering and Metallic Product</li> <li>• Assembling</li> <li>• Fish Processing</li> <li>• Electronic Good MFG</li> <li>• Garments</li> <li>• Textile</li> <li>• Hosiery</li> <li>• Spinning Mills</li> <li>• Jute Goods MFG</li> <li>• Fertilized Company</li> <li>• Edible oil mills</li> <li>• Chemical and chemical products</li> </ul> <p>8. Construction and Commercial Real Estate 9. Ship Building</p>

<ul style="list-style-type: none"> <li>• Oxygen Gas Companies</li> <li>• LP Gas Companies</li> <li>• Solar Power</li> <li>• Fuel Companies</li> </ul>	<ol style="list-style-type: none"> <li>10. Ship Breaking</li> <li>11. Road Transport</li> <li>12. Water transport</li> <li>13. Cold storage</li> <li>14. Saw mill</li> <li>15. Hospital and clinics</li> <li>16. Private Educational Institutions</li> <li>17. Rice/ Flour/ Pulse Mills</li> <li>18. Consumer Finance</li> </ol>
<ol style="list-style-type: none"> <li>4. Service Industry</li> <li>• IT Service</li> <li>• Travel Agencies</li> </ol> <p><b>Retained Sector</b></p>	<p><b>Discouraged Sectors</b></p>
<ol style="list-style-type: none"> <li>5. Commerce Trade</li> <li>6. Residential Hotel and restaurants</li> <li>7. Manufacturing Companies</li> <li>• Paper and paper MFG</li> <li>• Wood and wood MFG</li> <li>• Pharmaceutical</li> <li>• Tea processing</li> </ol>	<ol style="list-style-type: none"> <li>19. MFI Linkage</li> <li>20. Entertainment</li> <li>21. Other corporate banks</li> <li>22. Tobacco processing industries</li> <li>23. Polymer and Polythene Industries</li> <li>24. Beverage</li> <li>25. Share/ Capital/ Brokerage</li> <li>26. NBFi</li> <li>27. Air Transport</li> </ol>

Table: 1.4

## **Chapter 4: Recommendation and Conclusion**

My time spent working at the Banani and Gulshan-Tejgaon Linkroad Branch of IFIC Bank PLC allowed me to gain some insightful knowledge. I would like to make some suggestions for enhancements that could aid in the reform of credit risk management and foreign exchange practices.

### **4.1 Recommendation**

My time spent working at the Banani and Gulshan-Tejgaon Linkroad Branch of IFIC Bank PLC allowed me to gain some insightful knowledge. I would like to make some suggestions for enhancements that could aid in the reform of credit risk management and foreign exchange practices.

- To provide direction for risk management initiatives across the board, a thorough policy for credit risk management ought to be formulated. The policy ought to delineate the obligations and accounts of relevant parties, the procedures for recognising and evaluating credit risks, and the risk mitigation tactics that will be put into action.
- To ensure that the company can react to any credit risk events in a timely and efficient manner, a thorough credit risk response plan needs to be created. Establishing precise procedures for recognizing and containing credit risk events, informing impacted parties, and carrying out a post-incident review are all part of this.
- To find possible credit risks and create effective risk management plans, regular credit risk assessments should be carried out. This entails determining plausible credit risk scenarios, evaluating each scenario's impact and likelihood, and creating risk management plans that successfully reduce the risk.
- To make sure that staff members are aware of the value of credit risk management and how to do it successfully, regular training is essential. Training on credit risk management

guidelines, credit scoring algorithms, underwriting procedures, and response plans are all included in this.

- Customers credit report should be updated and reviewed timely.
- Documentation for credit proposal should be more carefully handled at branch level.
- Thoroughly examination of the financial statement of the organization applying for loan is need to understand the risks associated.
- As previously mentioned in the report IFIC Bank PLC uses more than 80 software to run their operation. This can a very difficult and may cause significant problems as its challenging for any individual to master that many software. Rather using customized ERP systems and integrated centralized systems can reduce the chances of fraudulent activities, manipulation, financial misstatement, technical difficulties.
- Monitoring and control over the branches should be increased and accountability implemented at all level to mitigate credit risk management.
- Effective credit risk management in the banking sector depends on adherence to pertinent laws and guidelines, such as the Banking Code of Practice and Bangladesh Bank guidelines.
- Foreign exchange information should be made more available maintaining necessary confidentiality.
- Foreign exchange guidelines should be maintained and time to time training and workshops needs to be arranged for the Bank officials to keep them updated on the latest trends.

## 4.2 Conclusion

IFIC Bank PLC has been one of the top commercial banks of Bangladesh. IFIC bank from its inception started to work relentlessly to become an institution that will bring financial services to its client's finger tips. Adopting "One Stop Solution" model in 2017 was taking one step further towards that fulfilling that commitment. To add more IFIC bank has been opening Branches and Sub-branches in potential areas to get closer towards building a better relationship with their clients. IFIC Bank is constantly launching new and more upgraded financial services and products to cater the specific needs of customers from every socio-economic level. IFIC Bank given high priority to their clients at every level. To provide better service high-end technology devices should be given to the bank official at branch levels for seamless customer service experience.

Any commercial bank's most important activity is their foreign exchange and credit management.

Throughout the time that I have spent working in IFIC Bank, I realized that they are in a constant run to upgrade their policy to minimize the risks associated with foreign exchange and credit management. IFIC Bank has an enriched work culture and they always focus on onboarding individuals with high work ethic. From the very beginning IFIC Bank has maintained meritocracy the top priority while recruiting. This value has enabled the bank to attract individuals who thrive for professional success and has strong moral values which is a very crucial for any financial institutions. IFIC bank have also been focusing on the development of rural development by giving loans with minimum conditions to help support the rural economy. Bangladesh being an agriculture-based nation is highly dependent on the rural areas. Without development of the rural people moving forward as an economy is not possible. This is where IFIC bank has put their focus and efforts to support rural economy.



IFIC bank is also working on providing rural working women with better opportunities providing easy loan facilities. Empowering women is an integral part of any nation as half of the population are women, without the improvement and development of women's livelihood the nation will fall behind. It only shows that IFIC Bank PLC and its management bodies are not only concerned about the high economically beneficial areas but also constantly working on to make a positive impact on the rural agriculture-based economy and empowering the women of Bangladesh. IFIC Bank PLC focuses on their goal to serve the nation's economy mitigating crime like money laundering. Their vision to build a better economy for the future.

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