

Internship Report On:

“Product Mix of The City Bank Limited (CBL)”

Submitted To:

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LETTER OF TRANSMITTAL

31st August 2006

Moutushi Tanha
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Subject: Submission of report on "Product Mix of The City Bank Limited".

Dear Madam,

It is my great pleasure that I have the opportunity to submit a report on "Product Mix of The City Bank Limited". I have completed my internship from 24th May to 17th August as a part of B.B.A curriculum to observe closely and studied different practical aspects of The City Bank Limited.

Internship works as a bridge between the Academic and the Practical knowledge. Practical exposure is very much necessary to adopt with the environment where we have to work. I am very much fortunate that I got the opportunity to work with some experienced and devoted professionals to get acquainted about the Banking environment by their helping hand. As recommended my work is based on products (service) offered by the different departments of The City Bank Limited.

I tried my best to put meticulous effort for the preparation of this Report. Any shortcomings or flaw may arise as I am very much novice in this aspect. I will wholeheartedly welcome any clarification and suggestion about any view and conception disseminated in my Report.

Thanking you.
Sincerely Yours,

Partha Protim Sarker

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ACKNOWLEDGEMENT

It is indeed a great pleasure and honor on my part to have the opportunity to submit this report after three months of internship in The City Bank Limited. It was neither an easy task for me to fit in a situation where I had never been nor the duration of the orientation was enough for me to familiarize with all the aspects of banking activities. But yet I have successfully completed my internship in The City Bank Limited and it would not have possible without the help of some kind -hearted people. I will be ungrateful if I fail to appreciate their kindness and not thank them.

First of all I would like to thank our Senior Asst. Director, Career Service, Ms Farzana Choudhry, who along with other members of BRAC University has arranged this Internship in The City Bank. I would also like to thank, Internship Supervisor, Ms. Moutushi Tanha who was my guide teacher to show me the right direction.

I express my deepest gratitude and thanks to Mr. Mahmudul Khaleque, Manager (EVP), Gulshan Branch, for his all out cooperation during my Internship in his bank.

I would like to pay my gratitude to Mr. Sk. Samadur Rahman, (SAVP) Site Supervisor, Gulshan Branch for his valuable suggestions and recommendation in preparing this report.

I also feel honor to thank all the executives and officers of Gulshan branch, especially Mr. Shajahan, Mr. Ali, Mr. Reaz Uddin Mr. Huque, Mr. Kabir and Miss Subnam whom I had the opportunity to work with. My special thanks to all the officers and staffs of Gulshan branches for showing me that there is strength in the unity.

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Executive Summary

I was assigned to project of product offer in the City Bank Ltd. as my project report. I am extremely happy to work in such a project like this where I could apply my academic knowledge to an extent. This delighted me very much. During my stay at the office as an intern I never felt vague and ambiguous. The environment of the City Bank Ltd is very modernized and friendly. The staffs are specialized in their respective fields. Each of them works on their own and there is supervision from the top. The motivation of the staff, I believe comes from the very sense of responsibility.

The City Bank Limited is the first private sector bank registered by the Bangladesh Bank. The City Bank Limited follows the rules and regulation prescribe by the Bangladesh Bank for scheduled commercial banks. The functions of the cover a wide range of banking and functional activities to individuals, firms, corporate bodies and other multinational agencies.

General banking operation areas as follows: all kinds of deposits like Savings, Current, and Short term deposits, Fixed deposit, different Scheme, cash remittance etc.

Bank loans are greatly emphasized and we can call all this as the "Heart " of the bank, because they are a major source of bank's income. They are very important to the economy as a whole because the expansion and condition of the bank loan affect the level of business activity through their effect on the Nation's money supply. The banks extended its credit facilities to different sectors to diversify it's credit portfolio in compliance with credit policies of Bangladesh Bank as given: Industrial, Housing (Commercial), Work order, Working Capital for traders, Manufacturing processing plants and other business. The banks help the people by continuing "CONSUMER CREDIT SCHEME" like small business loan scheme, Lease financing transport loan etc.

Import finance is given by the way of opening irrevocable documentary letter of credit granting post import finance such as PAD, LIM, LTR etc. Pre-shipment and post - shipment export finance is rendered by way of negotiation/purchase/discount of export bills, packing credit, Back-to-Back L/C etc. Bank remits money of the clients both with in the country and outside the countries by telex transfer, telephonic transfers, pay order, demand draft etc.

Chapter One

Organizational Overview

1.0 Introduction:

All over the world, the dimension of banking has been changing rapidly due to deregulation, technological innovation and globalization. Banking in Bangladesh has to keep pace with the global change. Now banks must compete in the market place both with local institutions as well as foreign ones. To survive and thrive in such a competitive banking world, two important requirements are: development of financial infrastructure by the central bank and development of “ Professionalism “ in the sense of developing an appropriate manpower structure and its expertise and experience.

What is banking?

The Jews in Jerusalem introduced a kind of banking in the form of money lending before the birth of Christ. The word 'bank' was probably derived from the word 'bench' as during ancient time Jews used to do money -lending business sitting on long benches.

First modern banking was introduced in 1668 in Stockholm as 'Svingss Pis Bank' which opened up a new era of banking activities throughout the European Mainland.

In the South Asian region, early banking system was introduced by the Afgan traders popularly known as Kabuliwallas. Muslim businessmen from Kabul, Afganistan came to India and started money-lending business in exchange of interest sometime in 1312 A.D. They were known as 'Kabuliawallas'.

The word “Banking” has been defined to mean the accepting, for the purpose of lending or investing, of deposits of money from the public, repayable on demand or otherwise, and withdrawable by cheque, draft, order or otherwise. The term “Banking” has also been defined as:

U S A: Act of Congress defines banking, “as the business of dealing in credit.”

Japan: Act of 1927 in Japan defines as “institutions, which carry on operations of giving as well as receiving credit”.

1.1 Banking in our country:

Banks play an important role in the economy of the country. After liberation except the foreign banks all banks were nationalized. These banks were merged and grouped into six commercial banks. Of the total six commercial banks Uttara and Pubali were transferred to private sector from 1985. Now there are four nationalized commercial banks namely Agrani, Janata, Rupali, and Sonali Bank. There are four specialized banks in our country. In addition to this 49 private commercial banks are in our country at present. Of these 49 private commercial banks there are 12 foreign banks, 28 private banks incorporated in our country except Islamic banks and 4 Islamic banks. In 2005, these banks were operating their banking activities through 6038 (June of 2000) branches. The bank and the other financial institutions have become dynamic after taking initiatives to reform the banking sector by the finance minister of Bangladesh. The basic issues are decreasing the amount of loan and increasing paid up capital through decreasing the interest rate of deposit and investment, changing the principles of rescheduling the bank.

1.2 History of the City Bank Limited (CBL):

The City Bank Limited (CBL) is the first private sector Bank in Bangladesh. The Bank has been operating since 1983 with an authorized capital of Tk. 1.75 Billion under the entrepreneurship of twelve prominent & leading businessman of the country. The noble intention behind starting this Bank was to bring about qualitative changes in the area of Banking and Financial management. Today, The City Bank serves its customers at home & abroad with 77 branches spread over the country & about three hundred oversea correspondences covering all the major cities and business center of the world.

1.3 Shareholders information:

The City Bank Limited was incorporated on 14.3.1983 as a Public Ltd. Company Under The Companies Act- 1913. It got Certificate Of Commencement Of Business On 20.3.1983 and formally started banking operation from 27.3.1983.

Authorized Capital	: Tk. 1.75 Billion
Total Number Of Share	: 17,500,000

Market Lot Of Share : Five

Face Value Per Share : Tk. 100/-

At present, there are about 5,678 Shareholders approximately.

1.4 Product/ service offering of CBL:

The services encompass wide diversified areas of trade, commerce & industry that tailored to the specific needs of the customers and are distinguished by an exceptional level of prompt and personal attention. Over the years The City Bank Limited has expanded the spectrums of its services. The extensive and ever growing domestic network provides and carries various products and services to the doorsteps of millions.

The City Bank Limited (CBL) engages in wide range of activities from small scale lending to large industrial project financing. CBL involves export and import financing. It involves other very many services. Its' range of activities at a glance is as follows:

Deposit	Loans and advances	Foreign Exchange	Other services
<ul style="list-style-type: none">• Current account• Savings account• Short term deposits• Fixed deposit• Different Scheme• Non resident foreign currency deposit account• Resident foreign currency account	<ul style="list-style-type: none">• Term loan• Working capital loan• Cash credit• Overdraft• Packing credit & trust receipt• House building finance• Import finance• Consumer Credit• Transport Loan• Lease financing	<ul style="list-style-type: none">• Export L/C• Import L/C• Foreign Remittance	<ul style="list-style-type: none">• Safe custody (locker)• Travelers Cheque• Demand draft• Pay order• Telegraphic transfer• Selling and buying foreign currency

The City Bank Limited (CBL) has already introduced some new Banking products like dual currency Credit Cards, ATM and Online services which has created attraction among the clients. The Bank is going to introduce real time Internet, SMS and Phone Banking systems with all modern delivery channels at an early date.

For significant performance, The Bank has earned national & international recognition. The City Bank Limited (CBL) was one of the 12 Banks Of Bangladesh among the 500 Banks in Asia for it's asset, deposit & profit as evaluated by "ASIA WEEK" in the year 2000. Other than that, The City Bank Limited (CBL) received the "Top Ten Company" award from the Prime Minister Of The People's Republic Of Bangladesh in the year 1992-93.

1.5 Vision & Mission of CBL

Corporate Vision

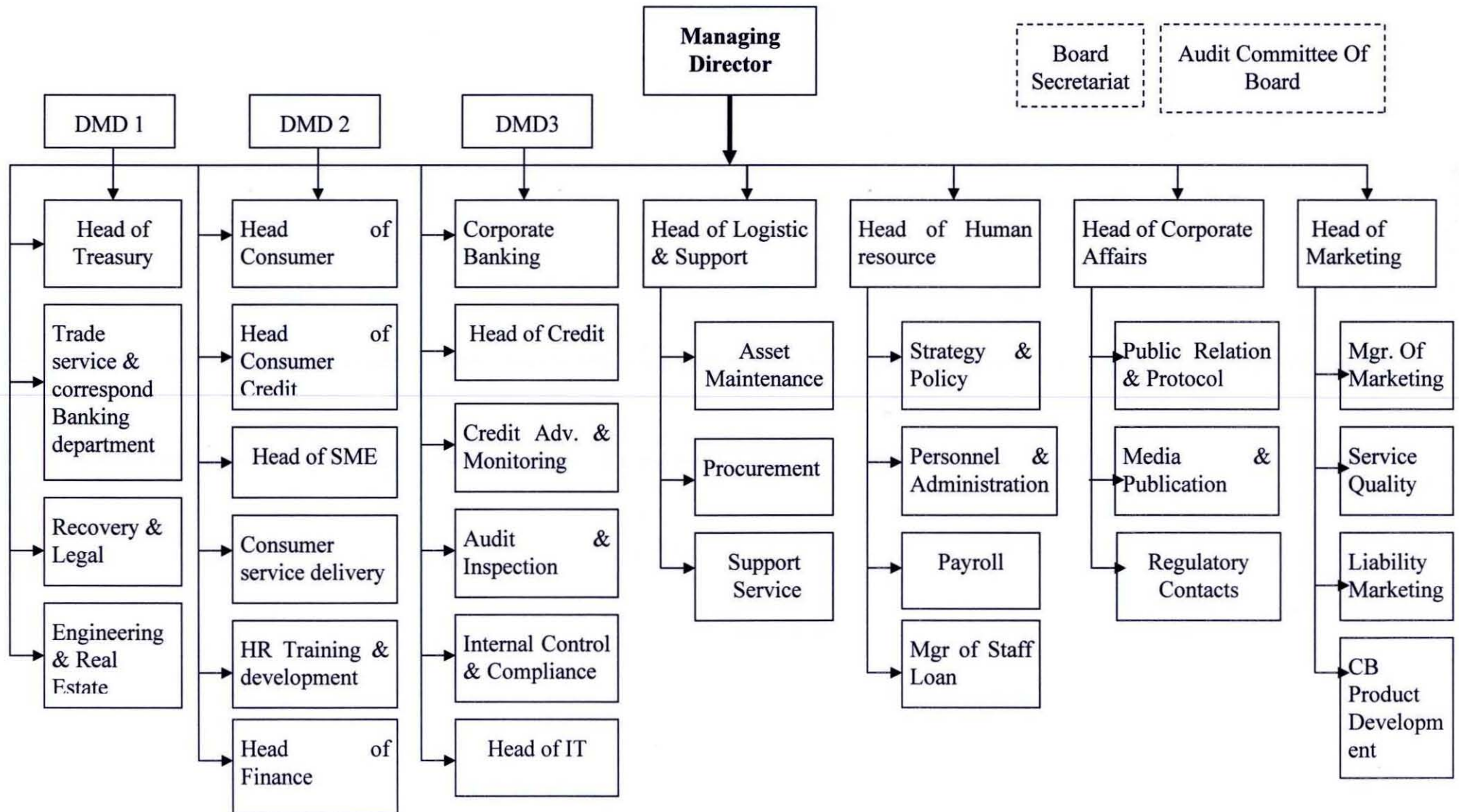
To be the leading bank in the country with best practices and highest social commitment.

Corporate Mission

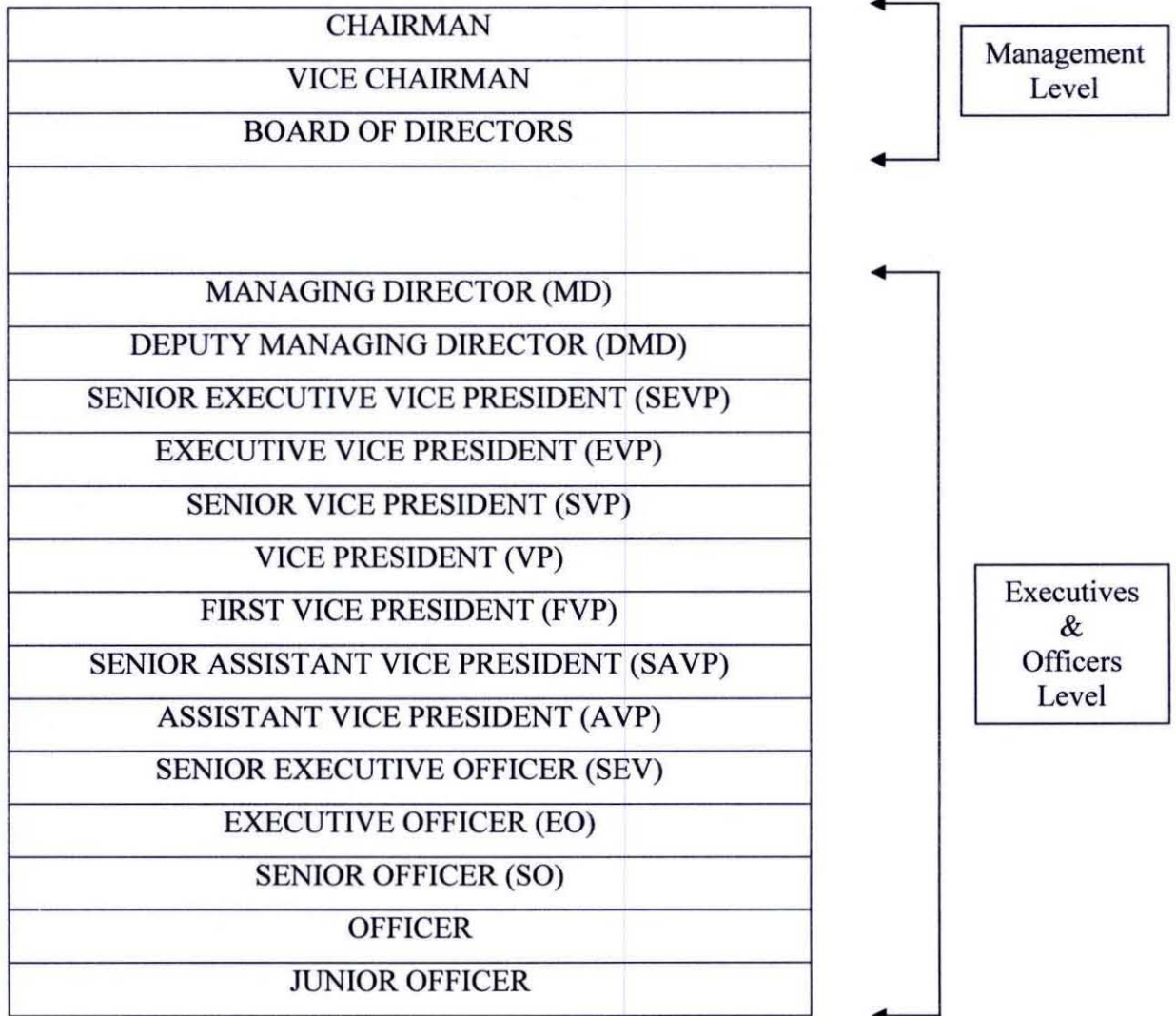
- To contribute to the socio economic development of the country
- To attain highest level of customer satisfaction through extension of services by dedicated and motivated team of professional team of professionals
- To maintain continuous growth of market share ensuring quality
- To maximize bank's profits by ensuring its steady growth
- To maintain the high moral and ethical standards
- To ensure participative management system and empowerment of Human Resources
- To nurture and enabling environment where innovativeness and performance is rewarded.

1.6 Operational Network Organogram:

ORGAN GRAM OF THE CITY BANK LIMITED



MANAGEMENT HIERARCHY OF CITY BANK LIMITED



The City Bank Ltd. has 203 executives, 1022 officers and 604 staff. CBL has got seventy-seven (77) branches. Out of 77 branches, 27 branches have online services.

1.7 Vision for the Future:

Maintaining the existing growth, Management expects, the Bank will show good business profile in 2006 .The Bank reorganized its structural set up, Asset Liability Management (ALM) put in place, focused on various risk management, corporate governance and inculcation of corporate culture within the Bank. Review of emoluments for the employees based on market demand, providing performance bonus to the employees, introduction of Best Managers and Best Employees award would certainly put the Bank on a elevated position in the market. The Bank implemented Ethical Guide Lines for the employees. For improved working regulations Internal Control and Compliance division was setup. IT infrastructure development, extending online banking facility to more branches, establishing ATM at important places of the country, greater SME financing and improved personal banking facilities etc. are on the card. The Bank is aiming to be the leading financial institution in the country.

To become the leading private sector bank in the country the Bank has to grow at a faster pace in this competitive market. To achieve the prime position, other than online banking facility covering with most of our important branches all over the country, dual currency CITYCARD operation, POS, SME loans we are in the process of implementing Electronic Delivery channels: ATM, Debit Card etc.

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2.0 Description of the Internship:

During my internship I worked according to the following routine:

Department/ Section	Duration
General Banking	24/05/06 to 30/06/06
Loan & Advance	01/07/06 to 17/07/06
Foreign Exchange	18/07/06 to 17/08/06

I spent 45 hours per week at work on internship project. I tried to participate directly or indirectly in the daily operational activities of the branch.

2.1 Specific responsibilities of the Jobs:

As an intern, I have no specific job responsibility in the branch. I observed activities of almost all departments. But I carry out some responsibilities also:

- In the general banking department, I helped the clients to fill up the account open form.
- I gave information about different scheme of CBL that are offered.
- I involved directly preparing the Bangladesh Bank's Returns of Foreign Trade & foreign exchange transactions for the month of July of the Branch.
- I prepared the IBEA (Inter Branch Exchange Advice) for the Head office.
- I prepared some vouchers for the Import L/C.
- I wrote down PAD (Payment Against Document) register in the Import L/C Section.
- I wrote down Liability and Cash Margin Register for PAD (Payment Against Document) in the Import L/C Section

These are some responsibilities that I carried in the Gulshan Branch.

2.2 Different aspect of job performance:

At first I started my internship from General Banking Department. I observed activities of different sections, namely Account Opening section, Cheque Book Issue and Dispatch section, Remittance Section, Clearing and Bills Section, Accounts Section, Cash Section.

Then I worked with Loan & Advance department. I got knowledge about various aspects of loans. I also knew how the credit officer analyses credit proposal and disburse credit if proposal is sound. I knew about different kinds of loan like secured, unsecured, hypo, pledge, cash credit etc.

At the end I worked in Foreign Exchange department. In this department, I facilitated the official for receiving and preparing the L/C (letter of Credit) document. I got knowledge about L/C, PAD, LTR, LIM, ECC, and PCC, bill Purchase, F.C account etc.

2.3 Critical Observation:

This is a well-established statement that practical situations always differ from theoretical explanation. During the two and half months internship program at Gulshan Branch almost all the desks I have been observed. And I have found theory deviates from the practice more or less though two and half months are not enough time to find out all the discrepancy between theory and practice.

Among all experiences some noticeable observations are described below:

- Customer service is not fast because of few computers in this branch.
- Processing of cheque and account open take long time. Sometimes it takes more than an hour for processing.
- The bank personnel and officials are very busy with their occupational activities. So, it is little difficult for them to complete their work in schedule time.

- There are few computers in this branch. So the officials have to share the computers. It slows down the work performance.
- Some of the officers and staff are not efficient.
- CBL takes long time to disburse the big loan.
- Information about old and new clients is not up to date.

Other than these, the officers were mostly courteous, friendly in nature and eager to help despite the tremendous workload. As a private bank, CBL Bank is trying its best to extend their service to the public.

2.4 Recommendation:

- ✓ **Branch should intensify its quality of client services:** Branch must be careful about the quality of its service. To keep the customers in the branch, proper value should be given to them while they are in the bank.
- ✓ **Add new features:** CBL should diversify its banking service and add new features in its service so that it can attract customers from all groups of people.
- ✓ **Information about client:** It is important to keep close personal and extra friendly relationship with client for obtaining first hand information, as early as possible.
- ✓ **More power to branch manager:** For reducing loan-processing time branch manager should be given more power to sanction loan.
- ✓ **Proper training:** Proper training must need to improve the efficiency of employees.
- ✓ **Unique Product:** CBL should provide any unique service that can attract new customer.
- ✓ **Information system should be developed:** Information system within branch must be developed. All the branches must be online. So that it can communicate with other branches very quickly.
- ✓ **Insurance Facilities:** CBL should give more Insurance facilities to their clients.

Description of Project

CHAPTER THREE

3.0 Summary:

The report has been prepared as a reflection of my activities and achievement during the internship program, which underwent at Gulshan Branch in the City Bank Ltd. It is a descriptive type of study. I interviewed almost all the employees. For this is purpose, I made a questionnaire.

General banking operation areas as follows: all kinds of deposits like Savings, Current, and Short term deposits, Fixed deposit, different Scheme, cash remittance etc.

Bank loans are greatly emphasized and we can call all this as the “Heart “ of the bank, because they are a major source of bank’s income. They are very important to the economy as a whole because the expansion and condition of the bank loan affect the level of business activity through their effect on the Nation’s money supply. The banks extended its credit facilities to different sectors to diversify it’s credit portfolio in compliance with credit policies of Bangladesh Bank as given: Industrial, Housing (Commercial), Work order, Working Capital for traders, Manufacturing processing plants and other business.

Import finance is given by the way of opening irrevocable documentary letter of credit granting post import finance such as PAD, LIM, LTR etc. Pre-shipment and post - shipment export finance is rendered by way of negotiation/purchase/discount of export bills, packing credit, Back-to-Back L/C etc. Bank remits money of the clients both with in the country and outside the countries by telex transfer, telephonic transfers, pay order, deniand draft etc.

During my internship, I found that the Gulshan Branch provides all kinds of commercial banking services to its customers.

3.1 Description of the Project

Internship program is attempt to orient the students with the real world situation, give the students to personally observe the complexity and find out the various ways to solve different problems applying the theoretical thought in the department.

The Internship program designed to provide the B.B.A student with an opportunity to obtain on the job training, aim at bringing together the two facts of learning the theoretical and practical.

3.1.1 Objective of the Project

The objective of the Internship is to familiarize with the real life banking and to compare it with the books that we have learnt.

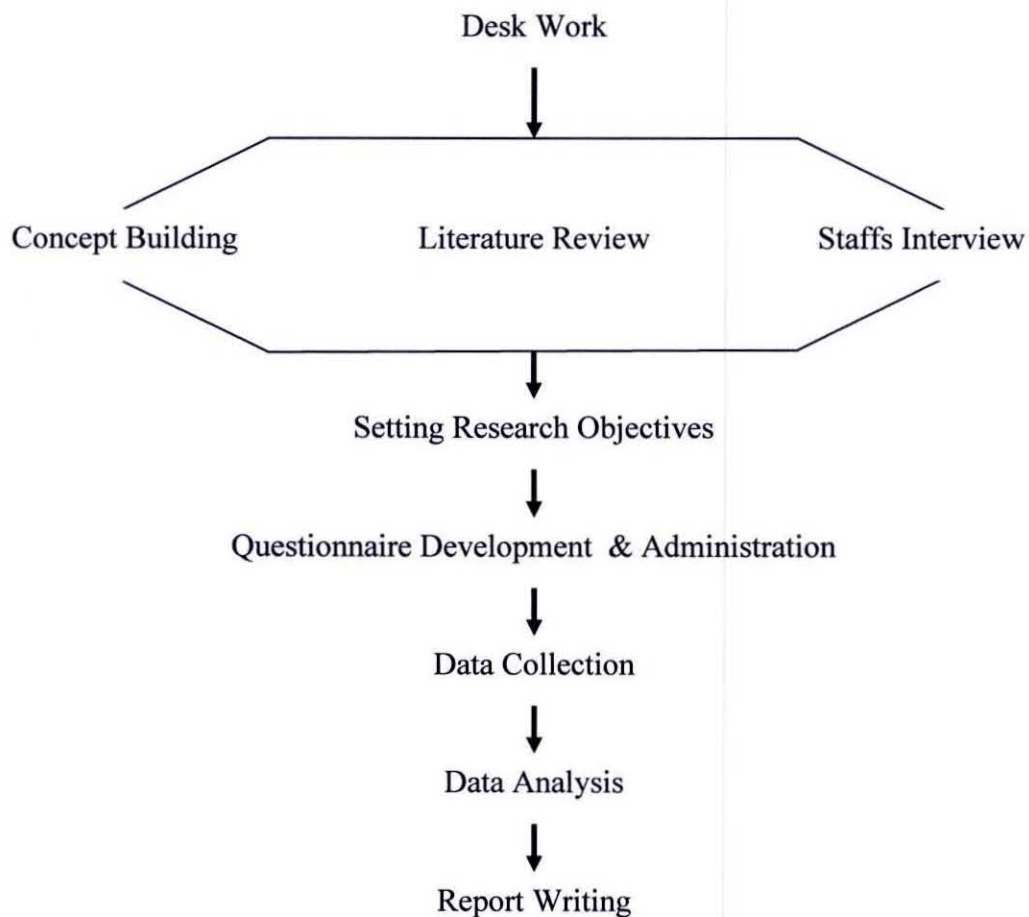
The main objectives of the practical orientation are as follows:

- To understand the role of banks in Loans and Advances.
- To familiarize with practical banking activities of CBL.
- To know the General Banking practices of CBL.
- To know how CBL does deal with Foreign Exchange.

3.1.2 Type of study: It is a descriptive type of study.

3.1.3 Methodology of the Study:

The Framework Of methodology is illustrated below:



3.1.4 Sources of Information

Data have been collected from two sources. Sources of Information are as follows:

(1) The Primary Sources of Data:

- Face to face interview with the bank officers and staff.

(2) The Secondary Sources of data:

- Annual Report of the City Bank Limited.
- Different publications of the City Bank Limited.
- Different Brochure of the City Bank Limited
- File study of different sections

- Different Textbooks.
- Reading Material of Bangladesh Institute of Bank Management (BIBM) etc.

3.1.5 Organizational scope:

As the study has been concentrated on “Product Mix of The City Bank Limited” so in term of organization the study has covered the product of General Banking, Foreign Exchange, Loan and Advance department offered by .the City Bank Limited In this report, I did not cover the Islamic Banking product of the City Bank Limited

3.1.6 Limitations of the Study:

During my internship I was able to learn a lot of things but still it was not enough. There were some limitations that I can’t ignore. The main limitations were:

- ❖ **Time Constraint:** First of all the duration of our orientation was not enough to cover all aspects of banking. So some desks were visited in a very short time.
- ❖ **Instable Political Environment:** Frequent strike in the country made it more impossible to complete my study smoothly.
- ❖ **Business Secrecy:** Some time required data are not available because of security and business policy.
- ❖ **Budget Constraint:** There is no sufficient fund to prepare the paper.

**Description
of
Product Mix**

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4.0 Product Mix of The City Bank Limited (CBL):

A product mix is the set of all products and items that a particular seller offers for sale.

A company's product mix has certain width, length, depth, and consistency. These concepts can be applied in case of The City Bank Limited (CBL) in the following way:

4.1 Width of product of CBL: The width of a product mix refers to how many different product lines the company carries.

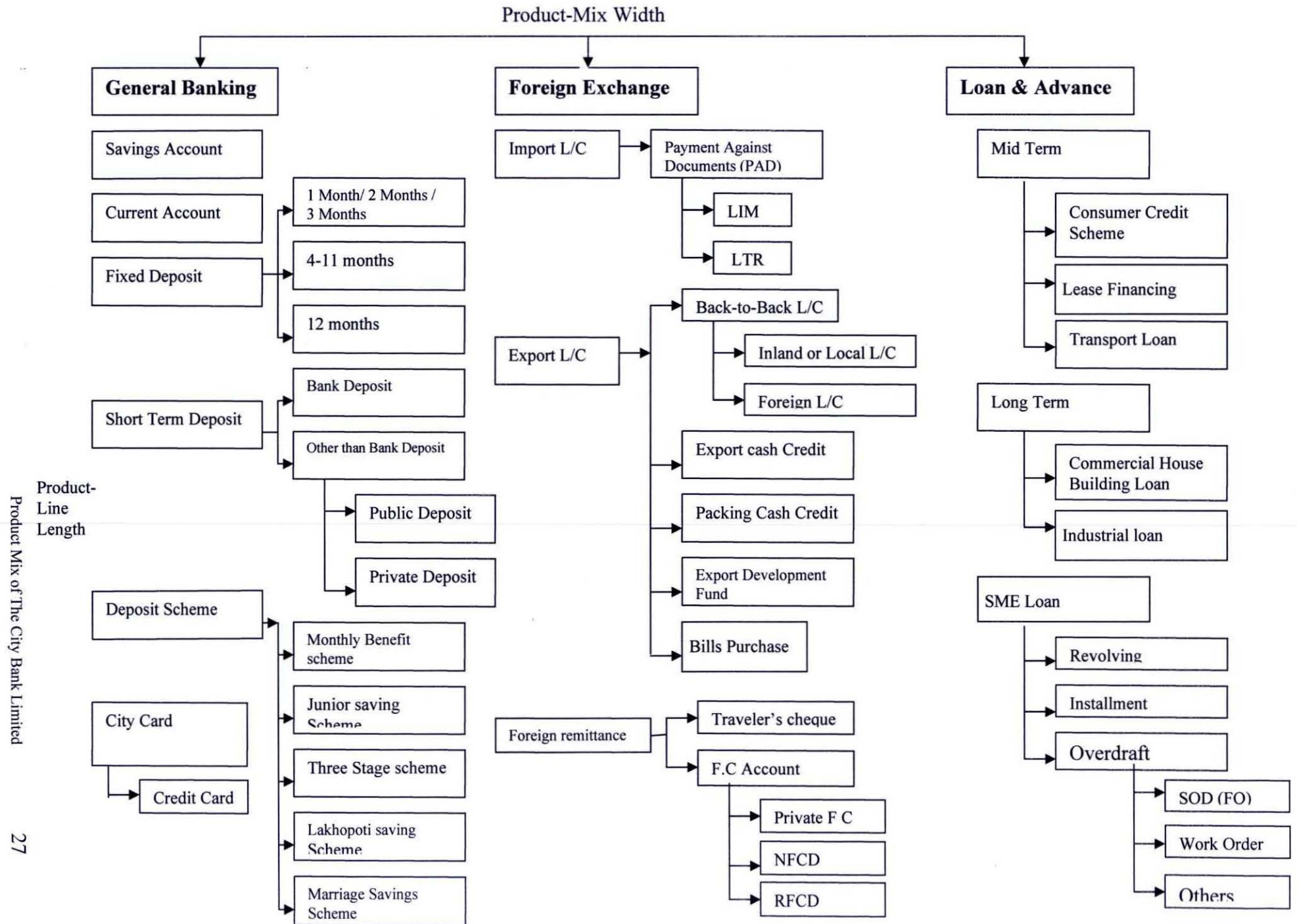
Table: 1 Shows CBL product-mix width of three lines:

- General Banking
- Foreign Exchange
- Loan and Advance

4.2 Length of product of CBL: The length of a product mix refers to the total number of items in the mix.

Table:1 Shows CBL product-mix Length of 12. We can also find the average length of a line. This is obtained by dividing the total length (here 12) by the number of lines (here 3), or an average product length of (Here, $12/3$) 4.

Table:1 Product-Mix Width and Product-Line Length for The City Bank Ltd. Products

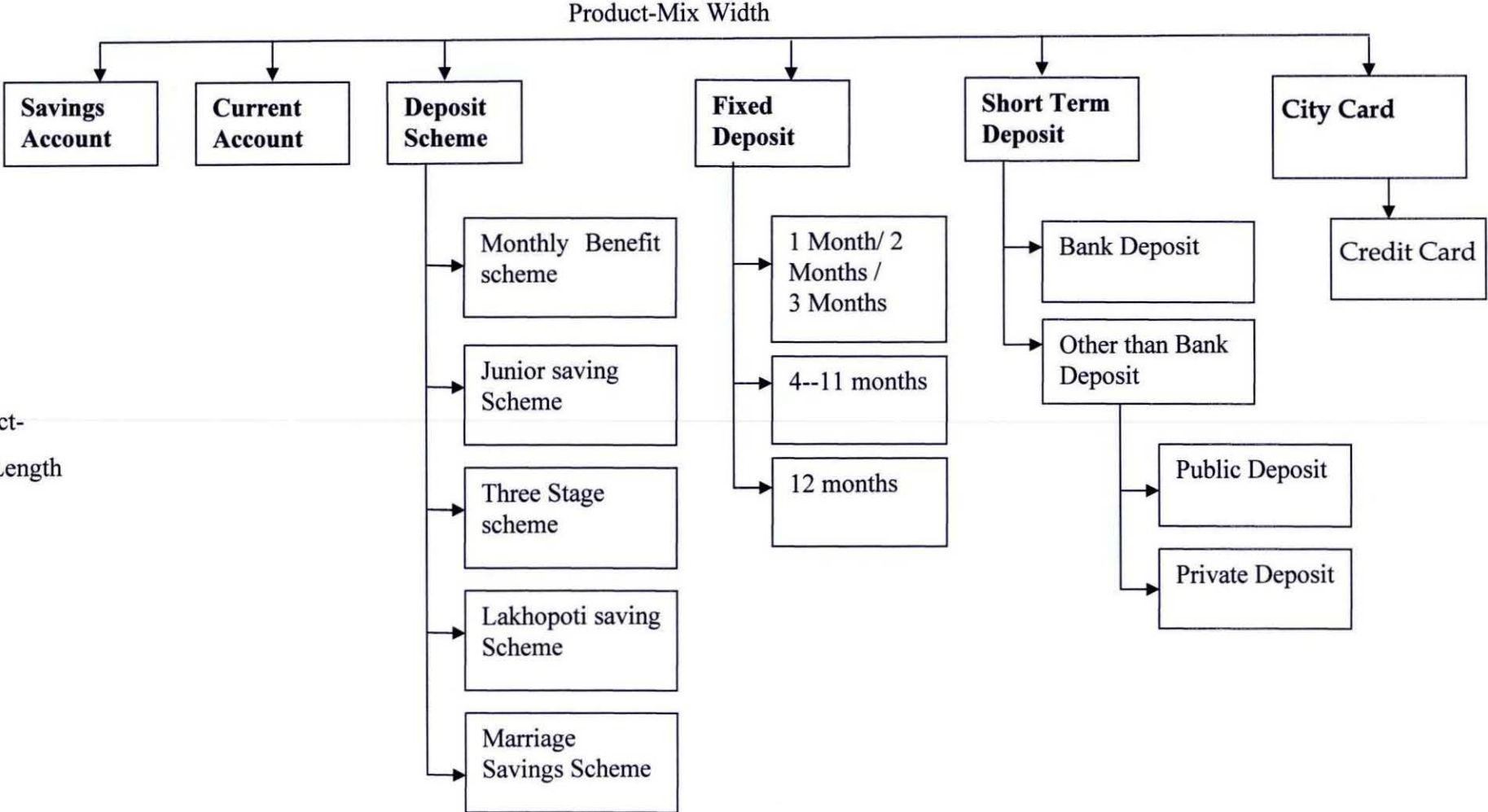


4.3 Depth of product of CBL: The depth of a product mix refers to how many variants are offered of each product in the line.

Table:1 Shows CBL product-mix depth of General Banking is

Current Account	:1
Fixed Deposit	:3
Short Term	:3
Deposit Scheme	:5
City Card	:1

Table:2 Product-Mix Width and Product-Line Length for General Banking Products



Product-Mix of The City Bank Limited

Product-Line Length

Table:1 Shows CBL product-mix depth of Foreign Exchange is

Import L/C : 2

Export L/C : 6

Foreign Remittance: 4

Table:4 Product-Mix Width and Product-Line Length for Foreign Exchange Product

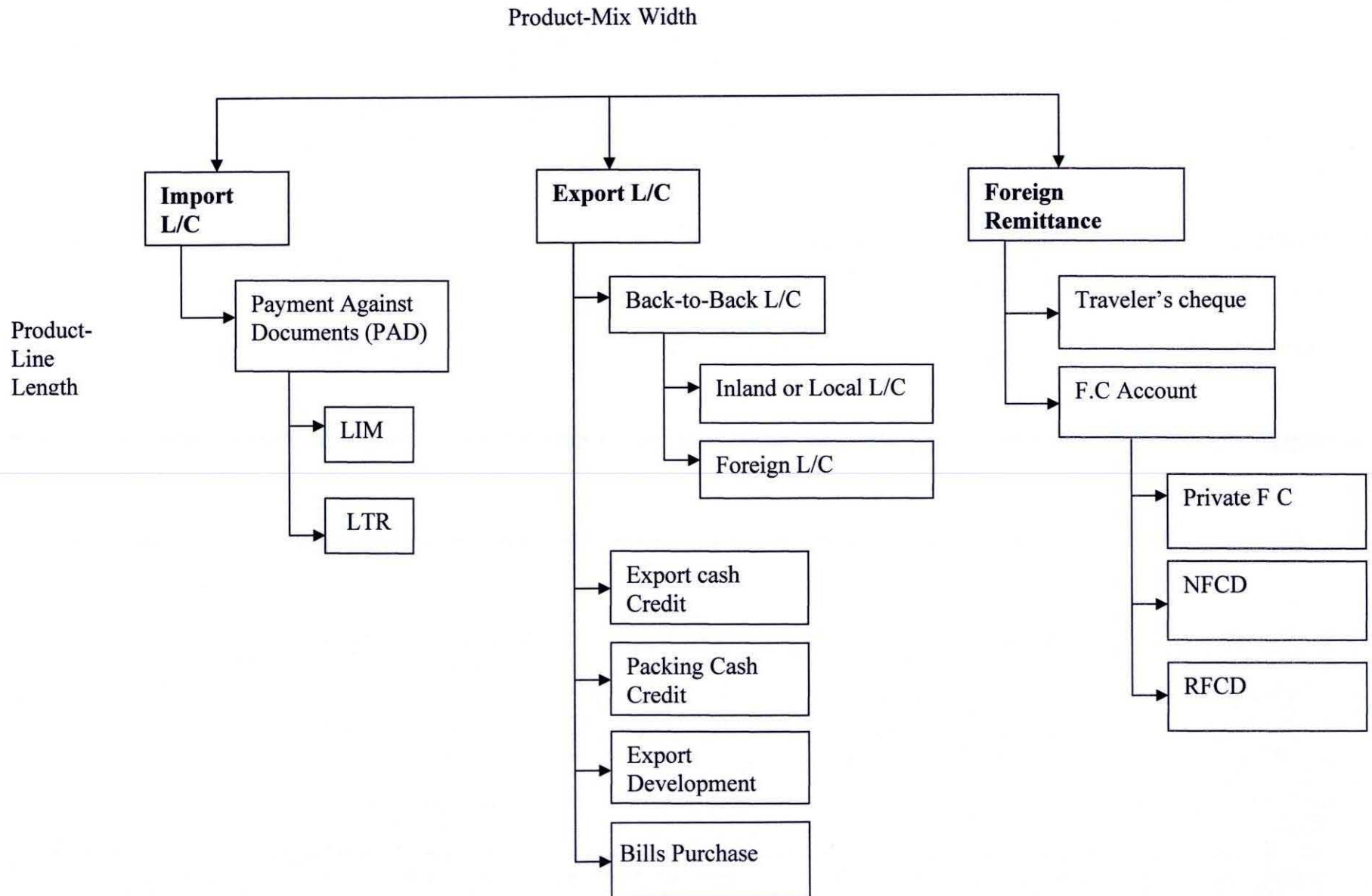
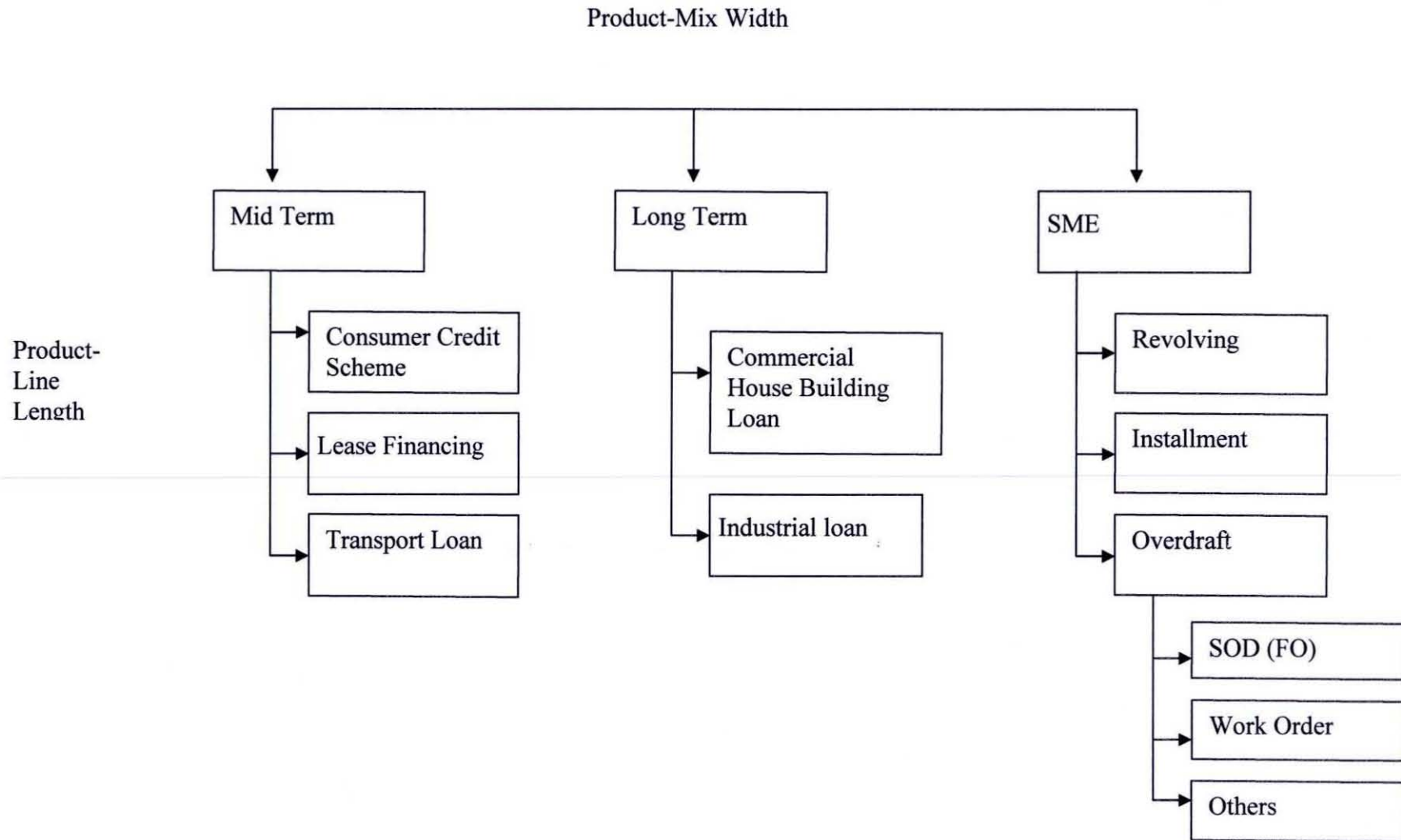


Table:1 Shows CBL product-mix depth of Loan and Advance is

Mid Term	:3
Long Term	:2
SME Loan	:5

Table:5 Product-Mix Width and Product-Line Length For Loan & Advance Product



4.4 Consistency of the product of CBL: The consistency of the product mix refers to how closely relate the various product lines are in end use, production requirements, distribution channels or some other way.

CBL product lines are highly consistent in terms of:

End Use: This means customers are using all the offerings of CBL. There is no further processing or reselling of CBL offering.

Example: FDR, MBS, TSSS etc.

Production Requirement: All the production requirements (Documentation) of CBL are same. Example: Papers requirement for Account open, loan sanction etc.

Distribution Channels: This means all products of CBL are offered through all its Branches. All of the offerings (services/products) are same.

General Banking

C H A P T E R F I V E

5.1 Introduction:

During my Internship, I was placed in Gulshun Branch of The City Bank Limited (CBL). First, I have completed General Banking in this branch. General Banking of this branch consists of different sections, namely Account Opening section, Cheque Book Issue and Dispatch section, Remittance Section, Clearing and Bills Section, Accounts Section, Cash Section.

The City Bank Limited (CBL) offers different types of products or accounts under General Banking Department.

According to the Law and Practice, the Banker – Customer relation arises only from contract between these two. And opening of Account is the contract that establishes the relationship between a banker and a customer. So this section plays a very important role in attracting customer and therefore should be handled with extra care.

According to the International code of conduct banks should maintain following steps regarding their customers:

- Banks will act fairly and reasonably in all their dealings with their customers,
- Banks will help customers understand how their accounts operate and seek to give them a good understanding of banking services,
- Banks should maintain confidence in the security and integrity of banking and payment systems.

5.2 Different Types of Account or Product:

Gulshan Branch has the following types of accounts:

1. Saving Account
2. Current Account
3. Short Term Deposit (STD) Account
4. Fixed Deposit Receipt (FDR) Account
5. Deposit Scheme Account

5.2.1 Saving Account:

There are certain limitations in Savings Account- one of these is the number of drawing is limited i.e., customer can draw only twice a week if they want to get interest on the deposited money. If a customer draws more than twice in a week (s)he will not receive any interest for that month.

It is a sound savings for retail customer. CBL gives the major facilities and services to their customer through 77 branches all over in Bangladesh with their skilled manpower.

Minimum balance: Taka 500/-

Interest Rate:

Amount	Rate
Below Tk. 1.00 Lac	6.00 %
Tk. 1.00 lac to Tk. 5.00 lac	8.00 %
Above Tk. 5.00 lac	8.50 %

Customer Benefit:

- * Cheque-Book facility
- * Opportunity to apply for - safe deposit locker facility
- * Utility payment service
- * Collect foreign remittance
- * Transfer of fund from one branch to another by
 - Demand Draft
 - Mail Transfer
 - Telegraphic Transfer
- * Online banking service

5.2.2 Current Deposit Account:

The Gulshun Branch of The City Bank Limited (CBL) facilitates customers with different types of Current Account. There are Current Accounts for Individuals, Proprietorship firms, Partnership firms, Joint Stock Company, School, College,

Association, Trust and N.G.O. Account opening form for these categories are different.

Some terms and documents may differ but the overall process of account opening is similar to that of the saving account. Here I like to state what kinds of information to be furnished in the form and which documents customer should provide.

Current Account (Individual): Gulshan Branch uses the forms distributed by the CBL Head Office for opening a current Personal/ Individual account. A Customer should met the following requirements to see an account has been opened in his/her name:

- Name of the Applicant
- Profession or Business of Applicant
- Address of the Applicant
- Photographs of the Applicant
- Introduction by an account holder of the branch
- Signature on the Application Form
- Signature on the Specimen Signature Card
- Verification of details and signatures by Authorized Officer.

Current Account (Proprietorship): To open a Proprietorship current account photocopy of Trade License, attested by the concerned officer, is required along with the procedure mentioned for Individual Current Account.

Current Account (Partnership): Opening procedure of a Partnership Current Account is almost same as the opening of Individual Current Account but some additional documents are required which are as follows:

- Partnership Deed
- Letter of Partnership
- Trade License

Current Account (Joint Stock Company): All the formalities of Individual Current Account opening should be met for the opening of Joint Stock Company Account

additionally following documents also should be submitted to the bank. These documents are:

- Registration Certificate from Register of Joint Stock Companies
- Certificate of Incorporation
- Memorandum of Association
- Articles of Association
- Annual Audit Report
- Copy of Board Resolution containing
- Name of the persons authorized to operate the bank account on behalf of the company.
- Name of the persons authorized to deal documents with the bank.

CBL current account meets the needs of individual and commercial customers through its schedule benefit.

Minimum Balance : Taka 5,000/-

Interest Rate : Nil

Customer Benefit:

- Cheque-Book facility
- Opportunity to apply for - safe deposit locker facility
- Collect foreign remittance in both T.C. & Taka draft.
- Transfer of fund from one branch to another by
 - ❑ Telegraphic Transfer
 - ❑ Demand Draft
 - ❑ Mail Transfer
- Collection of cheques through Clearing House.
- Online banking service.

5.2.3 Short Term Deposit (STD):

Short Term Deposit or STD Account opening procedure is similar to that of the Saving Account. The difference is the interest rate.

5.2.3.1 Bank Deposit:

Amount	Interest Rate
Below 5 Crore	4.0%
5-10 Crore	5.5%
Over 10 Crore	6.5%

5.2.3.2 Other Than Bank Deposit:

5.2.3.2.1 Public Bank Deposit : (Govt., Semu Govt.,Auto nomous Body, Educational Institution, Association, Trust and N.G.O)

Amount	Interest Rate
Upto 1 Crore	6.0%
Above 1-5 Crore	7.0%
Above 5-10 Crore	7.5%
Above 10 Crore	8.5%

5.2.3.2.2 Private Deposit :

Amount	Interest Rate
Upto 1 Crore	5.5%
Above 1-5 Crore	6.0%
Above 5-10 Crore	6.5%
Above 10 Crore	7.0%

Features:

- Minimum 7 days notice is needed for the withdrawn of the both STD. But it is now become practice to withdrawn money by the client without any earlier notice.
- If any financial organization or any autonomous bodies open this account then no excise duty will be deducted but tax will be deducted.
- Interest rate is calculated on daily basis.

5.2.4 Fixed Deposit Receipt:

Fixed Deposit is the amount deposited by the customer for a fixed period of time. It offers comparatively higher rate of interest.

Period of Scheme:

It can be opened for a 1 month to 12 months and above.

Period	Rate
1 Month/ 2 Months / 3 Months	11.00%
4 Months to 11 Months	12.00%
12 months	13.00%

Procedure of FDR Account:

- ❖ Bank provides the interested customer a Fixed Deposit form.
- ❖ Customer fills the form, which contains Name of the customer, Amount of money, Duration, Rate of interest etc.
- ❖ After filling the form customer pay the money in cash or by cheque.
- ❖ After receiving the form from the customer the respected officer look for the cash seal or transfer seal. If any of these are present and the form is properly signed the Officer provides a specimen signature card to the customer.
- ❖ Customer signs thrice on the specimen signature card along with his/her full name.

- ❖ At the same time respected officer issue a Fixed Deposit Receipt on the specific FDR Block.
- ❖ This Block includes:
 - Name of the customer
 - Amount of money deposited
 - Date on which the money is deposited
 - Due Date – on which the FDR will be matured
 - Duration for which FDR has been made
 - Rate of interest to be paid

An FDR is renewed automatically for three months if the customer does not come to cash it after the maturity period. It can also be renewed upon the direction of the customer.

Features:

- Interest is compounded once a quarter
- Loan may be allowed upto 80% of the deposited amount under lien.
- Excise duty and source tax etc. are deductible from the depositor profit.

5.2.5 Deposit Scheme:

Under deposit scheme, the City Bank Ltd. (CBL) offers different types of products (scheme) to help the fixed income people to save money and meet any future financial obligations. The schemes offer a large amount of money after a certain period of time if the account holders deposit a specific amount on monthly basis. These schemes are-

1. Three Stage Savings Scheme
2. Monthly Benefit Scheme
3. Marriage Savings Scheme
4. Junior Savers Scheme
5. Lakhpati Savings Scheme

Details of these aforesaid products are discussed following:

5.2.5.1 Three Stage Savings Scheme (TSSS):

The Scheme is designed to help the fixed income group to save money and build up a sizable funds with which they can go for some income generating venture to improve the quality of their life and/or meet any future financial obligations. Any citizen of Bangladesh can open this scheme. The scheme can be opened in the name of an individual only. TSSS is perfect for those 18 years of age or elder.

Product Name

The name of the scheme is " Three Stage Savings Scheme".

Monthly Deposit Amount

To open the scheme requires monthly installment of BDT 500 or its multiple up to BDT 5000 till maturity. This is a fixed term deposit savings scheme.

Terure

The scheme is for 2, 4 & 6 years (every 2nd year is known as a stage)

Rate of Interest:

8% -13%

Loan Facility:

Loan may be allowed upto 80% of the deposited amount under lien on the same after at least 2 (Two) years of regular payment of installments.

Example: Monthly Deposit Tk.500/-

Period	Interest Rate	Receiving Money
1 year	8 %	1 st Stage
2 year	9 %	13,093.00
3 year	10 %	2 nd Stage
4 year	11 %	28,955.00
5 year	12 %	3 rd Stage
6 year	13 %	48,548.00

5.2.5.2 Monthly Benefit Scheme (MBS):

The Monthly Benefit Scheme (MBS) is a deposit scheme where the depositor gets monthly benefit out of his deposit. The scheme is designed for the benefit of persons who intend to meet the monthly budget of their families from the income out of their deposit.

Product Name

The name of the scheme is " Monthly Benefit Scheme "

Who can open?

Any citizen of Bangladesh can open this scheme. The scheme can be opened in the name of an individual only. MBS is perfect for those 18 of age or older.

Tenure

To open the scheme requires deposit of BDT 1,00,000/- or its multiples but maximum BDT 1,00,00,000/-. The deposit will be for a period of 2/3/5 years and the principal amount is refundable on maturity.

Monthly Benefit

Benefit will be as per the following example:

Term (Years)	Deposit (BDT)	Monthly Benefit (BDT)	Payable after tax (10%) (BDT)
2 years	1,00,000.00	900.00	810.00
3 years	1,00,000.00	900.00	810.00
5 years	1,00,000.00	945.00	850.00

Loan Facility:

To meet short-term needs depositors are eligible for a loan upto 90% of the total deposited amount.

5.2.5.3 Marriage Savings Scheme:

This scheme is designed for saving money to bear expense of children's marriage occasion in future. City Bank Marriage Savings Scheme is an exclusive savings scheme.

Period of Scheme:

The term of savings shall be for 12 years.

Installment size:

Monthly installment Size is Tk. 250, Tk. 500, Tk. 1000, Tk. 1500, Tk. 2000 and Tk. 2500

Maturity:

Depositors draw the following maturity amount at a time:

Monthly Deposit	Maturity Amount
250.00	65,000.00
500.00	1,30,000.00
1000.00	2,60,000.00
1500.00	3,90,000.00
2000.00	5,20,000.00
2500.00	6,50,000.00

Loan Facility:

Loan may be allowed upto 80% of the deposited amount under lien on the same after at least 2 (Two) years of regular payment of installments.

5.2.5.4 Junior Savers Scheme:

The Junior Savers Scheme is a perfect way to encourage saving for children's future educational needs. This is a scheme that will grow with their child.

City Bank Junior Savers Scheme is a unique savings scheme designed to help clients save for their children and it's a "children financial education program".

Product Name

The name of the scheme is " Junior Savers Scheme"

Who can open?

Junior Savers is perfect for those 18 years of age or younger, who will be beneficiary/nominee. Account must be opened in the name of parent/ natural/legal guardian.

Monthly Deposit Amount

To open the scheme requires an initial deposit of BDT 5000/=, which will be followed by monthly installment of BDT 1000 till maturity. The applicant will have the option of depositing any amount in multiples of the above. This is a fixed term deposit savings scheme. Customers can buy any number of JSS.

Matured Value (will as per the following example):

Period	Initial Deposit	Monthly Installment	Matured Value
10 years (12 installments)	BDT 5,000.00	BDT 1,000.00	BDT 200,000.00

Term

The scheme is for TEN YEARS (120 equal monthly deposits).

Insurance

The scheme is 100% insurance coverage. In case of death of the account holder during the period of scheme, nominee/ beneficiary will get only the amount covered by insurance i.e.; maximum limit payable upon maturity or upon death of the account holder shall not exceed the limit covered by the scheme. (Death due to any cause, detail workings attached)

Loan Facility:

Loan may be allowed upto 80% of the deposited amount under lien on the same after at least 2 (Two) years of regular payment of installments.

5.2.5.5 Lakhpati Savings Scheme:

The Lakhpati Savings Scheme, person gets the opportunity to build up savings by contributing monthly installments and become a Lakhpati just after Six years.

The Scheme is designed to help the fixed income group to save money and build up a sizable funds with which they can go for some income generating venture to improve the quality of their life and/or meet any future financial obligations. The scheme can be opened in the name of an individual only. LSS is perfect for those 18 years of age or older.

Product Name

The name of the scheme is " Lakhpati Savings Scheme"

Monthly Deposit Amount

To open the scheme requires an initial deposit of BDT 3000/=, which will be followed by monthly installment of BDT 1075 till maturity. The applicant will have the option of

depositing any amount in multiples of the above. This is a fixed term deposit savings scheme. Customer can buy any number of LSS.

Matured Value (will as per the following example):

Period	Initial Deposit	Monthly Installment	Matured Value
6 years	BDT 3,000.00	BDT 1,075.00	BDT 100,000.00

Tenure

The scheme is for SIX

Insurance

The scheme is 100% insurance coverage. In case of death of the account holder during the period of scheme, nominee/ beneficiary will get only the amount covered by insurance i.e.; maximum limit payable upon maturity or upon death of the account holder shall not exceed the limit covered by the scheme.

5.3 City Card (Credit Card):

The City Bank Limited launched their smart card - ATM card, credit card & utility bills payment card all in a single card in the name & style of "City Card"

The features of the "City Card" are as under:

The City card provides round the clock banking through ATMs from which customers can avail:

- Cash withdrawals
- Balance inquiry
- Mini statement
- Cheque Book request
- Utility bills payment facilities

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

- Debit transaction
 - Credit transaction
- Account information
- City card loading
- Online or offline

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

5.4 Various Services provide by this Department:

Other than this, General Banking deals with various services for their customers. During my practical orientation I have observed the Gulshan Branch deals with various types of services. These are:

- I. Demand Draft (DD),
- II. Pay Order (PO),
- III. Telegraphic Transfer (TT),
- IV. Clearing & Bills Section
- V. Safe Deposit Locker
- VI. Utility Services
- VII. Online Banking

I. Demand Draft (DD):

Demand Draft or DD is an instrument containing an order by the issuing branch upon another branch known as drawee branch, to pay a certain sum of money to the payee or to his/her order on demand. This is the easiest way to carry a large amount of money from one place to another with minimum risk.

Demand Draft Issue:

- ❖ Customer is supplied with DD/MT form.
 - ❖ Customer fills up the form, which includes the name of the Drawer, name of the Payee, amount of money to be sent, exchange, name of the Drawee branch, signature and address of the drawer.
- ❖ The customer may pay in cash or by transferring the amount from his/her account (if any).
- ❖ After the money is paid and the form is sealed and signed accordingly it is given to the DD issuing desk.
- ❖ Upon receiving the form concerned officer issue a DD on a particular block.
- ❖ DD block has two parts, one for bank and another for customer.
- ❖ Bank's part contains issuing date, drawer's name, payee's name, sum of the money and name of the drawee branch. Customer's part contains issuing date, name of the payee, sum of the money and name of the drawee branch.
- ❖ After furnishing all the required information entry of the DD is given in the DD issue register and at same time bank issue a DD confirmation slip addressing the drawee branch. This confirmation slip is entered into the DD advice issue register and a number is put on the confirmation slip from the same register. Later on the bank mail this slip to the drawee branch.
- ❖ At least two Grade-I officer sign the DD block and if the amount of the DD is Tk.20,000/= or more than the amount is sealed on the DD with a special red seal to protect it from material alteration.
- ❖ The number of DD is put on the DD form.
- ❖ Next the customer signs on the back of the DD and is supplied with his/her part of DD.

II. Pay Order (PO):

Payment Order or PO gives payee the right to claim payment from the issuing branch. In other words it is an undertaking by the issuing bank to pay a certain sum of money to the payee or to order on demand.

Following procedure is maintained for the issuance of PO:

- Customer is supplied with PO form.
 - After filling the form the customer pays the money in cash or by cheque.
- The concerned officer then issues PO on its specific block. This block has three parts, one for bank and other two for the customer. 'A/C Payee' crossing is sealed on all Pay Orders issued by the bank.
- The officer then writes down the number of the PO block on the PO form.
- Two authorized officers sign the block.
- At the end customer is provided with the two parts of the block after signing on the back of the Bank's part.

III. Telegraphic Transfer (TT):

At customers' request branch transfers fund to another branch through Telex and it is known as the TT, in short. TT facility is available only in that branch having Telex facility. Now, it is easy to done by mobile.

TT (Issue):

- Customer fills up the TT form and pays the amount along with commission in cash or by cheque.
- The respected officer issues a cost memo after receiving the TT form with payment seal, then sign it and at last give it to the customer.
- Next a TT confirmation slip is issued and its entry is given in the TT issue register.
- A test number is also put on the face of the slip. Two authorized officer signs this slip.
- Telex operator then transfers the message to the drawee branch mentioning the amount, name of the payee, and name of the issuing branch, date and test number.
- The confirmation slip is send by post.

IV. Clearing & Bills Section:

Gulshan Branch of CBL receives different types of instruments, such as cheque, PO, DD etc from its customers for collection. It also pays on behalf of its customers for

those instruments that come to it through clearinghouse. When instruments of CBL are sent for collection or received for payment through clearing house it is called Inter Bank Clearance or IBC.

V. Safe Deposit Locker:

Only Savings / Current account holder of CBL can apply for a locker. There are three (3) types of locker available in Gulshan Branch. These are:

- (1) Large (2) Medium (3) Small

Charges:

Locker Types	Charges (per year)
Large	Tk. 2,500
Medium	Tk. 2,000
Small	Tk. 1,500

Minimum balance:

- Savings / current account balance Taka 5,000.00

Features:

- Rented for a period of one year and will automatically be renewed
- Access at anytime during the bank's business hours
- All rentals are payable annually in advance

VI. Utility Services:

The City Bank Limited offers multiple special services with its network of branches throughout the country in addition to its normal banking operations.

For Collection various types of Bill:

- *Electricity Bills*
- *Telephone/Mobile Bills*
- *Water/Sewerage Bills*
- *Customs & excise duties*
- *Gas Bills*

For Sale & Encashment/Purchase different products:

- *Prize Bonds*
- *Lottery tickets of different Semi-Govt. and Autonomous Bodies*
- *Hello Calling Card (BTTB)*
- *SIM of Tele-talk Mobile (Post-Paid)*
- *Pre-paid Card of Tele-talk Mobile*

VII. Online Banking:

Out of 77 branches including one Islamic Banking, CBL operates 27 branches as online banking. These branches are designed to serve its valued clients. Under this system, client will be able to do the following type of transactions:

- Easy to withdraw or deposit from any online branch
- Fund transfer with one click, no need TT/DD.
- Client can easily tell which payments have cleared

5.5 Analysis of the department:

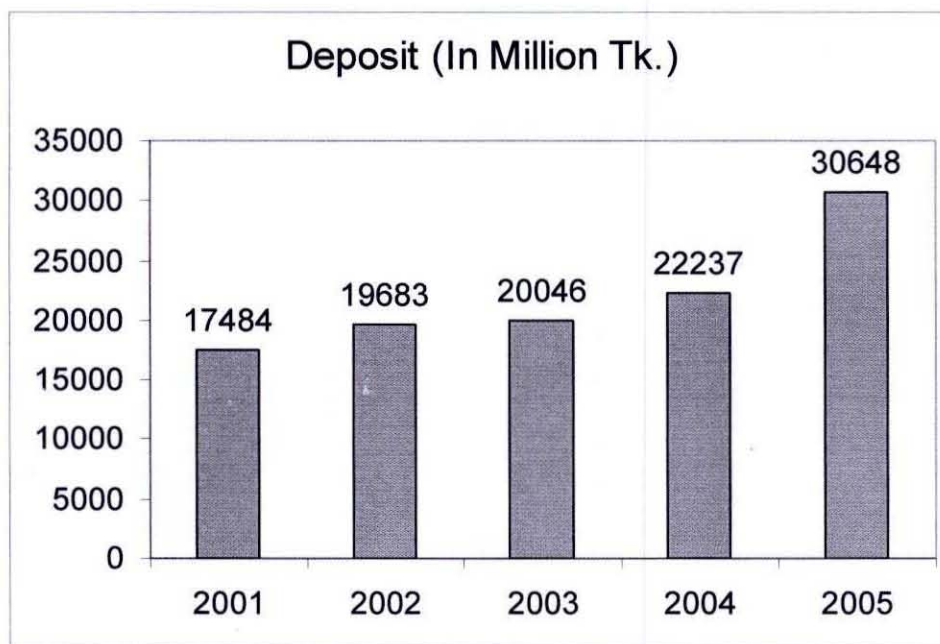
Deposit Mix of Gulshan Branch on 23 August 2006 stood as follows:

Types of Deposit	Amount (Tk)
Current Account	21,64,99,830.00
Saving Account	32,60,00,580.00
Short Term Deposit (STD)	9,08,61,895.00
Fixed Deposit	1,23,50,15,720.00
Deposit Scheme	12,52,73,461.00

Comment: The City bank Ltd gives highest interest rate (13%) on Fixed Deposit. So the Bank has big amount on this account.

Growth in Deposit:

Years	Deposit (In Million Tk.)
2001	17484
2002	19683
2003	20046
2004	22237
2005	30648



Comment: Total deposit of the bank as at 31st December 2005 raised to tk. 30648 ml registering a growth of 38% over preceding year's position of tk. 22237 ml. Growth in deposit was noticeable, mainly due to the initiatives taken by the Bank.

**LOAN
&
ADVANCE**

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6.0 Introduction:

Profit is the pivot on which the entire business activity rotates. Banking is essentially a business dealing with money and credit. Like every other business activity banks are profit oriented. A bank invests its funds in many ways to earn profit. The bulk of its income is derived from loans and advances.

Banks make loans and advances to traders, businessmen and industrialists against security of some assets or on the basis of personal security of the borrower. In either case, the banks bear the risk of default in repayment. Therefore the banks have to follow a cautious policy and sound lending principles in the matter of lending.

6.1 Forms of Advances

- 1) Secured advances: - Secured advance means an advance which is made against the security of any asset, the market value of which will never be less than the advanced amount.
- 2) Unsecured advances: - An unsecured advance is granted to a borrower without obtaining any security from him but bank can impose restriction on the borrower time to time.

Banks look out for Person himself, Relation with the bank, transactions with the bank and viability of business of that particular borrower. Then banks consider the securities offered by the borrower.

Bankers make loans and advances to the businessmen and industrialists against various types of securities. CBL also required sufficient securities before sanction of a loan or advances. Security can be two types—

- (1) Tangible Security-----Land, Building, Machinery
- (2) Intangible Security-----Bonds, Shares, Debentures, Sanchaya Patra, ICB unit cert.
Etc.

But following classification of securities is important for bankers. These are—

(1) *Primary Security*

The security deposited by the borrower himself as cover for the loan is called the primary security.

(2) *Collateral Security*

The securities deposited by the third party to secure advances for the borrower or on which the creditor (bank) has a personal right of action on the debtor in respect of the advances.

Generally following are considered as security—

- Land
- Land and Machinery
- Permanent Assets (Building, Factory etc.)
- Gold ornaments
- Economic liabilities
- Work-order
- FDR / DPS
- All govt. security bonds (ICB unit cert., Wage earners bond, Sanchay Patra etc.)
- Insurance Policies
- Shares and Debentures
- Movable properties (Inventory, Stock etc.)
- Personal guarantee

6.2 Practices in Banks

The officials of banks generally follow the guidelines of the bank strictly. Government security & other bonds are considered as a safest security for sanctioning advances. Collection of security depends upon the party's reliability also.

There are 6 types of modes of charging on securities.

(1) Pledge

Pledge is the bailment of the goods as security for payment of a debt or performance of a promise. A pledge may be in respect of goods including stocks and share as well as documents of title to goods such as railway receipt, bills of lading, dock warrants etc. duly endorsed in bank's favor.

(2) Hypothecation

In case of hypothecation the possession and the ownership of the goods both rest the borrower. The borrower to the banker creates an equitable charge on the security. The borrower does this by executing a document known as Agreement of Hypothecation in favor of the lending bank.

(3) Mortgage

According to section (58) of the Transfer of Property Act, 1882 mortgage is the "transfer of an interest in specific immovable property for the purpose of securing the payment of money advanced or to be advanced by way of loan, existing or future debt or the performance of an engagement which may give rise to a pecuniary liability". In this case the mortgagor does not transfer the ownership of the specific immovable property to the mortgagee, only transfers some of his rights as an owner. The banker exercises the equitable mortgage.

(4) Lien

Lien is the right of the banker to retain the goods of the borrower until the loan is repaid. The bankers' lien is general lien. A banker can retain all securities in his possession till all claims against the concern person are satisfied.

(5) Assignment

Assignment means transfer of any existing or future right, property or debt by one person to another person. The person who assigns the property is called assignor and the person to whom it is transferred is called assignee. Usually assignments are made of actionable

claims such as book debts, insurance claims etc. In banking business, a borrower may assign to the banker (1) the book debts (2) money due from government's dept. (3) insurance policy.

(6) Set-off

Set-off means the total or partial merging of a claim of one person against another in a counter claim by the latter against the former. It is in effect the combining of accounts between a debtor and a creditor so as to arrive at the net balance payable to one or the other, It is a right which accrues to the banker as a result of the banker-customer relationship.

Set-off arises when a debtor or his creditor wishes to arrive at the net figure owing between them when separate accounts or debt are involved.

Pledge	Movable property (Goods/Stocks/Shares/Debentures etc.)
Hypothecation	Movable property (Raw materials of factories/stocks in a godown, showroom /motor vehicles etc.)
Mortgage	Immovable property (Land/Building/Factory)
Lien	FDR/DPS/Sanchay patra/ICB Unit Cert./Wage Earners Bond etc.
Assignment	Insurance Policy/Money due from govt. Dept./Work order etc.
Set-off	*****

6.3 Loan Area of CBL:

Bank, as financial institution is a service-oriented organization. It provides financial services to the economy by mobilizing fund from surplus unit to deficit unit.

CBL has mobilized funds by introducing various financial products. Efficient & effective fund mobilization depends on individual bank's capability of designing financial products.

These are: -

Cash Credit (Hypothecation)

- Cash Credit (Pledge)
- Overdraft Facilities
- Secured Overdraft Facilities
- Secured Overdraft (Work Order)
- Letter of Credit (L/C)
- Back to Back Letter of Credit (BTB)
- Loan against Trust Receipt (L.T.R.)
- Loan against Imported Merchandise (L.I.M)
- Packing Cash Credit (P.C.C.)

These are Short Term Loan. Short Loan means term of loan is equal or less than one year. Gulshan Branch of CBL gives first 5 (Five) above mentioned credit facilities under this term by the Credit Department. Foreign Exchange Department provides rest of the loan facilities.

CBL considers the loans that are sanctioned for more than one year as term loans. Under this facility an individual or enterprise is financed for various purpose. These are:

- Mid Term Loan
 - Consumer Credit Scheme
 - Transport Loan
 - Lease Financing
- Long Term Loan
 - House Building Loan (Commercial)
 - Industrial Loan
- SME (Small & Medium Enterprise) loan
 - Revolving
 - Installment
 - Overdraft
 - ✓ SOD (FO)

- ✓ Work Order
- ✓ Others

6.3.1 Mid Term Industrial Loan

Mid Term Industrial Loan means term of loan is upto 5 years. The City Bank Limited has a vision to improve the financial sector of Bangladesh i.e. economic condition of Bangladesh by providing effective and innovative banking and financial product in financial market. However, in every economy of the world financial sector is highly regulated sector.

Mid Term industrial finance is allowed for the purposes:

- To set up a manufacturing facility i.e. acquire land, buildings, plant and equipment, etc, collectively known as fixed assets
- To finance for BMRE where “B” means for balancing, “M” modernization, “R” for replacement and “E” expansion
- Purchasing of adequate inventories comprising of raw materials, stock in process and finished goods, retaining sufficient cash and extending credit to their customers.

6.3.1.1 Consumer Credit Scheme

Consumer credit scheme offers the customers to buy their needed items of goods without paying the full cost of the item. Bank used to buy the product in favor of the customer. Customer needs to repay the loan with a fixed installment for a certain period of time. Since Bangladesh is one of the poorest country in the world. The majority of our population is forced to live substandard life. The middle class family cannot afford to buy their essential utility product with their fixed monthly income. In this connection banks in our country has introduced the scheme of consumer credit to extend credit facility to limited and fixed income group to improve their standard of living.

Eligible items under the consumer credit scheme, CBL finances:

Domestic appliances:

- Air conditioner,

- Refrigerator,
 - Deep freezer- washing machine,
- Microwave,
- Furniture.
- Sewing machine.
- And other domestic appliances.

Vehicles:

- Car,
- Small jeeps,
- Motorcycle etc.

Office Equipment:

- Personal Computer,
- Photocopier,
- I.P.S., U.P.S,
- And other office equipment.

Entertainment items:

- Television,
- VCD, DVD Player
- Music system,
- Sound system,
- Video camera etc.

Repayment arrangement:

Consumer will repay the loan 24/36 monthly installments.

Loan: The loan limit is Tk. 20,000 to Tk.5, 00,000.

Rate of Interest: 14.50% -17%

6.3.1.2 Lease Financing

CBL Lease Financing is given for Equipments/Machinery for Industry or for BMRE of business project

CBL finance Leasing of

- Capital Machinery
- Heavy construction equipments
- Lifts/ Elevators
- Air Conditioners
- Vehicles like Luxury bus, Mini-bus, Taxi-cab, Car, Pick-up, Trucks, etc
- Medical equipments
- Generators, Computers, etc
- Apartment/Building
- Other costly consumer's durable

The City Bank Limited offers lease financing facilities on the' above items under pleasing atmosphere.

The Basic Terms:

Selection Autonomy:

The lessee bears all the liberty to decide and select the brand, specifications, price, supplier/seller and purchase terms & conditions of the leased items.

Lease term:

- i) Capital Machinery, Equipment and Medical Instrument - Maximum 5 (five) years.
- ii) Vehicles & other Consumer durable - Maximum, 4 (four) years.
- iii) Apartment/Building Case to Case basis.

Payment Mode:

Entire financed amount along with interest and charges would be recovered by equal monthly installments.

Lease Deposit:

A minimum deposit equivalent to 3 (three) months lease rentals is required, which shall be refunded/adjusted on expiry of the lease term.

Rate of Interest:

14% -16%

Security:

- a) Leased item itself
- b) Bank/Insurance guarantee
- c) Encashable securities like FDR, BSP, Share Certificates of listed companies, ICB unit Certificate etc.
- d) Immovable properties along with cash security if the value of tangible security falls short of the value of leased assets and
- e) Personal guarantee of a gentleman acceptable to the Bank.

Insurance:

Clients have to take insurance coverage on bank stipulated insured value for the entire lease term at his own cost (Year to year basis).

Maintenance:

Clients have to maintain the leased items in usable condition throughout the whole lease period at his cost and shall be solely responsible for any damage or loss although insurance will cover most of the abnormal risks.

Full Funding:

Under the method CBL provides 100% funding while only 50%-60% of financing is made under traditional system.

6.3.1.3 Transport Loan:

Any finance, which is given against the hypothecation of vehicles like trucks, buses, marine vessel etc is termed as transport Loan. CBL gives advances under Transport Sector for the following purpose:

- Purchase of imported/locally assembled Buses, Minibuses, Trucks, and Scooters
- Import of reconditioned buses is subject to Import regulations.
- Construction or Purchase of Water vessels- passenger & cargo vessels locally built.
- Repair of watercrafts including purchase of engine.

Rate of Interest:

15% -16%

Interest rate is depend on the amount is taken for the time period.

Requirement:

- 3 sets of quotation/pro-forma invoice of the vehicles.
- Quotation of the vehicles body building from a recognized body building firm if not imported in complete form.

6.3.2 Long Term Industrial Loan:

Long Term Industrial Loan means term of loan is more than 5 years.

6.3.2.1 House Building Loan (Commercial):

CBL House Building Loan (Commercial) means that are given for construction of buildings or structures to be used not for residential accommodation of the borrower but commercial utilization like renting or sale after the construction.

This is given for Land development, civil construction and renovation of building. Sometimes it is allowed for procuring Escalators, Air condition, Generator, Electrical equipment, Furniture & Fixture etc.

Requirement:

- Business plan (project profile) on the project
- Approved plan of the competent authority with the letter of approval
- Estimation of construction cost prepared by engineer, reputed engineering firm/ enlisted surveyor of the bank.
- Survey report of Land by enlisted surveyor of the bank.

6.3.2.2 Industrial Loan:

The City Bank Limited has a vision to improve the financial sector of Bangladesh i.e. economic condition of Bangladesh by providing effective and innovative banking and financial product in financial market. The purpose of Industrial Loan is almost same with Mid term Loan. But the differences are the time period and interest rate.

6.3.3 Small & Medium Enterprise (SME) Financing:

CBL finances an enterprise that has with minimum 3 and maximum of 60 employees can apply for SME loan. Applicant should minimum 2 years experience in business. But start-up business will be considered if projections are very good. Enterprise should minimum annual turnover Taka 500,000 to maximum Taka 5 cores. The loan size is of minimum Taka 100,000 to a maximum of 1 core for a client.

CBL provide working capital or asset finance through:

- Overdraft - secured & unsecured
- Installment loan
- Letter of credit
- Guarantee / bonds

Who can avail the facilities?

- Shop keepers
- Small & medium entrepreneurs, manufacturers, traders etc.
- Suppliers to corporate businesses
- Professionals (doctors, engineers, etc)
- Business services

- Cottage industries
- Fleet (navy) financing

6.3.3.1 Revolving loan

The revolving loan is one, which provides for restoring the credit to the original amount after it has been utilized. How many times it will be taking place must be specifically mentioned in the credit. The revolving credit may be either cumulative or non-cumulative. CBL provides this loan facility.

6.3.3.2 Installment loan

An installment loan, also known as closed-ended loan, is the borrowing of a certain amount of money from Bank and the repayment of it in installments over a set amount over a specific period of time. CBL gives this loan entrepreneurs, manufacturers, and traders as working capital, to buy goods etc.

6.3.3.3 Overdrafts:

Advance in form of overdraft is always allowed on a current account. Cheques will operate this account. The customer may be sanctioned a certain limit within which he can withdraw his loan amount for several times within a stipulated period. Here interest will be charged on the withdrawal loan amount. Overdraft facility normally given to the party for the expansion of business and this facility is given for maximum one year.

- Advances allowed against to the individuals, or firms against financial obligations, i.e., lien on DPS, FDR, and ICB etc.
- Against work order

There are three types of overdraft may take place.

6.3.3.3.1 Secured Overdraft (SOD):

Secured credit involves putting up some collateral that the creditor can take to satisfy the debt in case of default. The collateral may be personal property, real property

of liquid assets. In most cases 90% credit is covered. On basis of bank-customer relationship coverage may vary.

CBL gives this loan against the financial obligation of:

- DPS
- FDR etc

Loan may be allowed upto 90% under lien on DPS , FDR,erc

6.3.3.3.2 Work Order

This kind of advance is allowed against the work order of a contractor involving construction, supply of goods or services.

Documents to be obtain for CBL loan:

- Work/Supply order for project/Supply of goods etc.
- Confirmation letter from the work awarding authority that all cheques against the work/ supply order shall be paid to the bank direct.

6.3.3.3.3 Others:

It is another secured loan. This loan is given against:

- Sanchaya Patra
- ICB unit cert. etc

Foreign Exchange

C H A P T E R S E V E N

7.0 Introduction:

Foreign Exchange, like Foreign Trade is a part of economic activities of a country. The term foreign Exchange is defined as ‘the system or the process of converting one national currency into another and of transferring money from one country to another’.

Foreign Exchange as Foreign Currency, which includes deposits, credits, and balances payable in Foreign Currency as well as Drafts, Traveler’s Cheques, Letter of Credit, Bill of Exchange drawn in local currency but payable in Foreign Currency.

Thus, the international trade and movement of money and capital are the mainsprings of Foreign Exchange dealings. In the modern day, the Banking service specially foreign department, is performing a great role, dealing with Foreign Trade, which are as follows:

- 1) Import
- 2) Export
- 3) Foreign Remittance

At Gulshan Br. of CBL, foreign Exchange department has divided into 3 distinct sections.

These are i) Import Section, ii) Export Section and iii) Foreign Remittance Section.

Some national and international laws regulate functions of this department. Among these, Foreign Exchange Act, 1947 is for dealing in foreign exchange business and Import and Export control Act, 1950 is for Documentary Credits (UC’PDC-1993 revision & International chamber of terms and conditions between exporter and importer law for settlement of terms and condition between exporter and importer in international factors for import and export operation for banks).

The main product of Import section is L/C (Letter of Credit) operation to import goods in the country. Now, I start the discussion with the operation of import section.

7.1 Import Department:

Import section helps business and other people to import goods. In international environment, buyers and sellers are often unknown to each other. So sellers always seek guarantee for the payment for his goods exported. During this time, Bank gives export guarantee that it will pay for the goods on behalf of the buyer. This guarantee is called letter of Credit. Thus the banker gives the contact between importer and exporter by its “Letter of Credit”

7.1.1 Import (L/C)

A letter of credit is a letter by a bank (known as the opening or the issuing bank) at the instance of its customer (known as the opener) addressed to a person or a company (beneficiary) undertaking that the bills drawn by the beneficiary will be duly honored by it (opening bank) provided certain conditions mentioned in the letter have complied with.

When a buyer goes to import some goods from a foreign buyer, he requests his bank make payments to the exporter of goods. And the bank recovers the amount from the importer.

7.1.2 Steps for Import L/C Operation

Registration with CCI & E:

For engaging in international trade, every trader must be first registered with the Chief Controller of Import and Export. Trade can take license only for import or only for export or both. For getting license, trader has to pay some specified fees to the CCI & E. The license is called IRC/ERC – (Import/Export registration Certificate). For opening L/C with bank, this IRC must be showed to the bank.

Determination terms of Credit:

The term of the letter of credit is depending upon the contract between the importer and exporter. The terms of the credit specify the amount of credit, name and address of the beneficiary and opener, tenor of the bill of exchange, period and mode of

shipment and of destination, nature of credit, expiry date, name and number of sets of shipping documents etc.

Application by importer to the banker to open letter of credit:

For opening L/C, the importer is required to fill up a prescribed application form provided by the banker. This prescribed application form includes details of import information including terms of credit. It is evidence of agreement between the importer and the banker.

Document required with L/C application Form:

- Pro-forma invoice / Indent Invoice
- Liability Sheet
- Demand Promissory Note
- Authority to debit account
- A filled up amendment request form
- A declaration of importer that his application has no illegal matter.
- IMP form
- Insurance cover note, etc.

7.1.3 Opening of L/C by the bank for the opener:

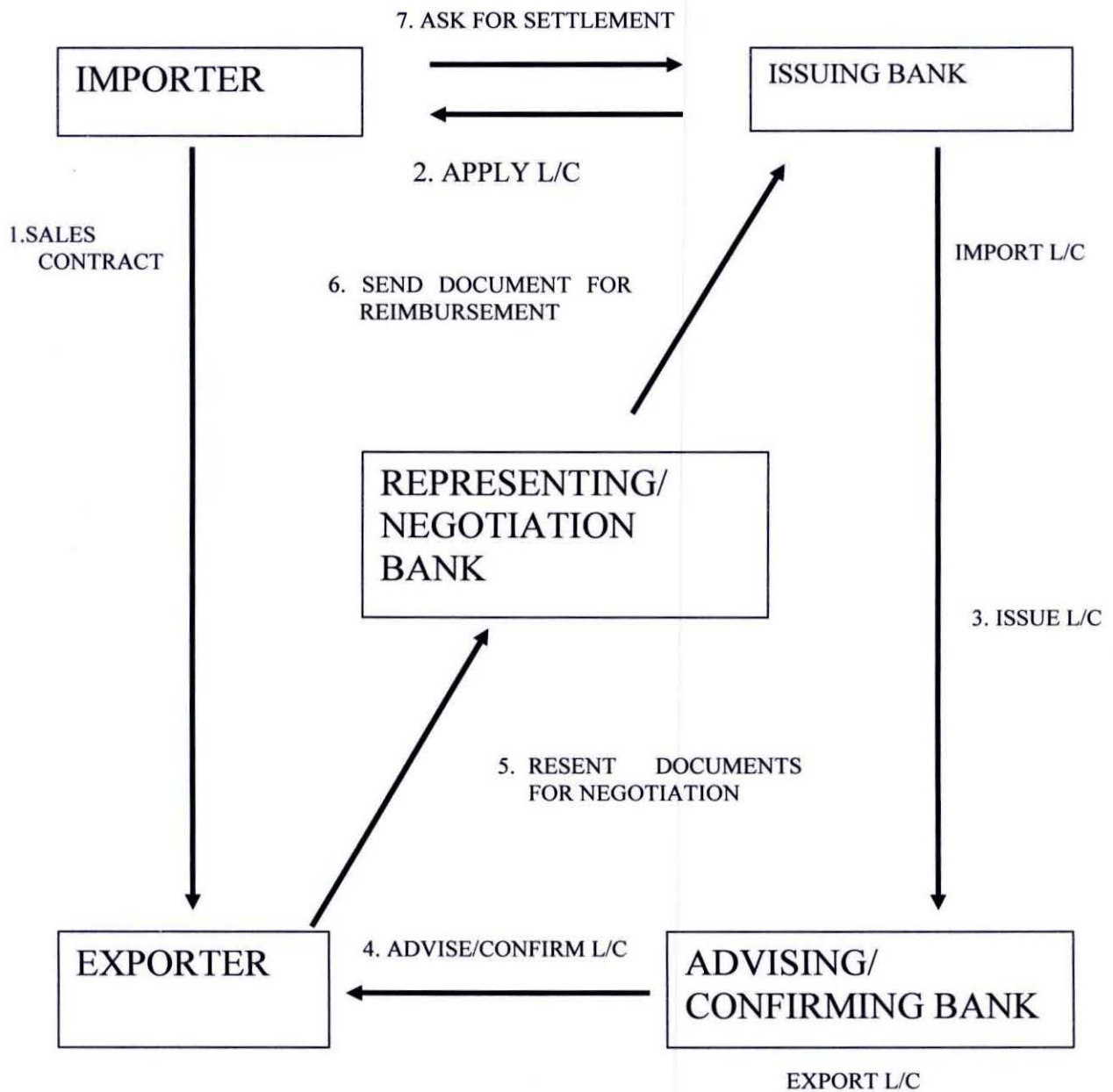
After getting filled up application form from the importer, the banker may open letter of credit in favor of exporter if the bank satisfies with the credit worthiness of his customer. But, before opening L/C, bank collects credit of exporter from exporter's country through his foreign correspondence there. Opening bank then issues credit by air mail or cable followed by credit advice as asked for by the opener through his foreign correspondent or Advising bank as the beneficiary on his own form where it is addressed.

The opening banker's credit advice contains all information of the credit and a reimbursement clause stating how the negotiating banker would get reimbursement of his payment made against the documents. The reimbursement of his payment made against the documents. The reimbursement agreement may be to debit of the opening banker's

account held with the negotiating bank of opening banker in the place of beneficiary.

Such account is called NOSTRO ACCOUNT. If no NOSTRO ACCOUNT is maintained in the beneficiary's country, then the negotiating bank is asked to claim reimbursement from another bank either at the place of beneficiary or else where by drawing a reimbursement draft.

DOCUMENTARY CREDIT CYCLE:



Cash L/C or Margin L/C:

In this case, opening bank require some specified margin for opening L/C. The rate of margin is depended on relationship with customers. When it is industrial concern, the rate of margin is 5-10%. When it is commercial concern, the rate of margin is 20-50%. It could be 100% cash margin for the new customers.

Nature of Credit:

Document Vs Clean Credit: All import credit is generally documentary credit that is bill of exchange must contain documents to the title of goods. Here presentation of B/E by exporter is sufficient for honoring the bill in case of Documentary credit. Clean credit requires no document with B/E for it's honoring clean L/C. Clean L/C is not allowed in Bangladesh except with the prior approval of the exchange control of the country.

Revocable Vs Irrevocable:

In revocable L/C, the opener of L/C can anytime withdraw his commitment to honor the bill of exchange of the exporter. But incase of irrevocable L/C, opener cannot withdraw his obligation anytime. Here opener's commitment is legal obligation. In international trade, only irrevocable L/C is used.

Adding Confirmation:

Sometimes the exporter may not rely on the L/C our bank. Exporter requires the L/C to be confirmed by another bank situated in his counter. Any bank in exporter's counter gives guarantee about the payment. This is called confirming Bank. Generally this confirming bank is advising Bank. By adding such confirmation, confirming banks undertakes the liability to honor the bill of exchange of exporter and for this it debit the account of issuing bank with it.

Amendment of Credit:

Sometimes, the importer may require amendment to be made in L/C. But this amendment must be made with the consent o exporter otherwise amendment will have no validity.

Validity and Expiry of Credit:

All L/C must mention the expiry date of L/C within which documents for payment/acceptance/negotiation must be presented. This date must exceed the last date of shipment. L/C must also stipulate a specified time period after the date of issuance of the bill of lading or other shipping documents, during which presentation of documents for payment/acceptance/negotiation must be made. In the absence of a specified period of time being stipulated the period will be assumed to be 21 days from the date of the bill of lading.

7.1.4 Mode/Types of shipment:

I) FOB Price (Free on Board):

Under FOB basis, the exporter quotes the price covering all his expenses until the buyer with the freight and the insurance being paid by the buyer delivers the goods duly packed 'on board' the carrying vessel named and arranged. The importer bears any cost incurred and all risks from the time the goods are placed on board.

II) C & F/ CFR (Cost and Freight):

In this case, the exporter quotes the FOB price plus freight. Importer bears insurance cost. The exporter makes all arrangements for the shipment of the goods. Most of the Bangladeshi importers exercise this kind of shipment.

III) CIF (Cost, Insurance and Freight):

Under CIF, the exporter quotes C & F price plus insurance cost. The responsibilities of carrying out all formalities for shipment of the goods devolve upon the seller.

IV) FAS (Free Alongside Ship):

Under FAS, the seller quotes the price covering all his charges until such time as goods are loaded on ship at the specified seaport. The buyer is responsible for all further necessary arrangements and charges.

V) Free on Rail:

Under this type of contract the seller quotes the price covering all his charges until such time as the goods are loaded on train at the specified railway station. The buyer is responsible for all further necessary arrangements and charges.

VI) EX-Exporter:

The seller quotes the price of the goods Ex-factory on the date agreed. The importer is responsible for all charges from the time he takes delivery of the goods from the exporter's Yard.

7.1.5 Shipment of goods and submission of documents by exporter:

Then exporter ships the goods to the destination of the importer country and sends the documents to the L/C opening bank through his negotiating bank. The documents must be made in accordance with L/C condition. Generally the following documents are sent to the opening Banker with L/C.

Documents:

- Bill of Exchange,
- Bill of Landing.
- Commercial Invoice,
- Certification of Origin,
- Packing List,
- Advice Details of Shipment,
- Pre-shipment Inspection Certificate,
- Vessel Particular, and
- A certificate stating that each packet contains the description of goods over the packet.

Lodgments of Documents by the opening Banker from the negotiable bank:

After receiving the documents, the opening banker scrutinizes the documents to verify whether they are free of discrepancy. If any discrepancy found, it informs the

importer. If importer accepts the fault, then opening bankers call importer retiring the document. At this time many thing can happen. These are indicated in the following.

- Discrepancy found but the importer accepts:
In this case no problem occurs. Importer accepts the bill of exchange and retires all the documents.
- Discrepancy found and importer not agreed to accept:
In this case, importer protest and send back all the documents to the exporter and request him to make in the specified manner. Here opening importer is not bound to pay because the documents send by exporter is not in accordance with the terms of L/C.
- Documents are OK but importer is not willing to retire the documents:
In this case bank is obligated to pay the price of exported goods. Since importer did not pay bill of exchange, this payment by bank is one kind of credit to the import and this credit in banking is known as PAD (Payment Against Document).
- Everything is O.K. but importer fails to clear goods from the port and request bank to clear: In this case banks clear the goods and takes delivery of the same by paying customs duty and sales tax etc. So, this expenditure is debited to the importer's account and in banking it is called LIM (Loan against Imported Merchandise).

After these steps, L/C operation for a particular import is completed.

7.1.6 Credit Facilitates:

During L/C operation some Credit facilities evolved to the importer. This credit facilitates are mentioned below:

- **Payment Against Documents (PAD):**
This loan is related to cash L/C after opening L/C foreign exporter sends goods to the importer and a bill of exchange along with shipping documents to the L/C opening

bank. Upon receiving bill of exchange and other documents, bank immediately make payment to the exporter if no discrepant is found on the shipping documents. Bank hands over the shipping documents to the importer only to exporter on the basis of shipping documents, this is called payment documents.

- **Loan against Imported Merchandise (LIM):**

LIM is occurred from PAD. After payment to the exporter on the basis of shipping documents, bank recovers the amount from the importer. The negotiation bank Sends bill of exchange to the Opening Bank. In this case, importer requests to the opening bank to treat PAD as credit and hand over the shipping documents to him so that he can clear the imported goods from the port. Then bank converts the PAD to regular credit and hand over the documents to loan. Since this loan is given on the imported goods, this is called Loan against Imported Merchandise. Duration of this loan is one month only, If the loan is no repaid after one month, it is treated as forced LIM.

- **Loan Against Trust Receipt (LTR):**

LTR is also a post shipment import finance like LIM. The essential difference is that in LTR, shipping documents are delivered to the client on trust. The act of trust is based on past experience with and credit worthiness of client. LTR facilities usually have validity of 60 to 90 days. In industrial units, period of limit may be longer. In case of this facility, the clients always pay duty and charges. The Bank Manager must be absolutely sure that the client will deposits the sale proceeds towards payment of the bank dues within the stipulated period.

7.2 Export L/C:

Export L/C operation is just reverse of the import L/C operation. For exporting goods by the local exporter, bank act as a collection bank (negotiable bank) for the exporter.

As negotiable bank it receives documents from the Advising Bank and hands it over to the exporter. Sometimes it adds confirmation of the L/C on request from the Opening Bank. By adding confirmation, it assumes the responsibility to make payment to the exporter.

As Negotiable Bank, it negotiates the bills and other shipping documents in favor of the exporter. That is, it collects the proceeds of the export-bill from the drawee and credits the exporter's account for the same. Collection proceed from the export bill is deposited in the bank's an account that a bank holds with a foreign bank account in the importer's country. Sometimes the bank purchases the bills at discount from the local exporter and waits till maturity of the bill. When the bill matures, bank presents it to the drawee to encase it.

A local seller gets some order from a foreign buyer and the seller has to manufacture these goods for exporting. For manufacturing these goods, the seller may have to purchase raw materials from local or abroad. For purchasing the raw materials, local seller goes to the bank to open L/C. And the banker opens L/C against the lien of the export L/C.

Since this import L/C is opened against any export L/C, this is called Back-to-Back L/C. This facility is given by Bangladesh Bank to the exporter for importing raw materials to manufacture the goods. Arrangements for exporting to Back-to-Back L/C are such that export L/C matures first. Then out of this export profit, import L/C is paid out.

The back-to-back letter of credit must conform to the terms and conditions of the original letter of credit with the following exceptions:

1. Name of the original beneficiary shall be substituted by the of the actual supplier.
2. The credit amount shall normally be lower than that of the original letter of credit, the differences being the amount of profit the exporter expects to earn from the deal.

3. The back-to-back letter of credit shall be made valid for shipment and negotiation prior to expiry of the corresponding date.

7.2.1 Back-to-Back L/C

Back-to-Back L/C may be two types:

1. Inland or Local L/C and
2. Foreign L/C

7.2.1.1 Inland L/C or Local L/C:

ILC means L/C within the same country. Inland L/C operation is same as Import/Export L/C operation. It opens L/C on request from the buyer in favor of the seller. That is, it undertakes the responsibility to make payments to the seller on behalf of the buyer. In the inland L/C, currency involved is denominated in foreign currency (Dollar or Pound) or local currency (Taka).

7.2.1.2 Foreign L/C:

The local exporter can open L/C to import raw materials to manufacture his export's goods. It is some as the inland L/C operation.

In our country, Export and Import operation of bank is very much related with one another because of use of Back-to-Back and maturity of payment for Back-to-Back L/C is set in such that it cannot be paid out of export proceeds. So export and import sections works as one unit. These two operations can hardly be separated from one another in this branch.

7.2.2 Kinds of credits occurred in L/C Operation

During L/C operation some Credit facilities evolved to the exporter. This credit facilitates are mentioned below:

7.2.2.1 Export Development Fund (EDF):

The main objective of creating and Export Development Fund (EDF) at the Bangladesh bank is to assure a continued availability of Foreign Exchange to meet the import requirements of non-traditional manufactured items. This facility is available to the non-traditional exporters, particularly newer exporters diversifying into higher value exports and exporters diversifying into new markets .An exporter identified above is eligible to avail of EDF facilities on the basis of the conditionalities stated below:

- He must be an exporter of non-traditional manufacturing items.
- The value added of these products could be 20% except in the case of garments where it has to be 30% and above.
- The loan should be utilized in the case of importing raw material for manufacturing the exportable products.
- The exporter must have and export L/C
- He must create a back-to-back L/C for importing raw materials.
- The period of loan is 180 days.
- The exporter can borrow as many times as he likes in a year.
- An exporter can borrow an amount not exceeding \$500,000 in a single case but outstanding should not be over \$ 10,00,000.

Here import L/C matures first. In that case Bangladesh Bank gives the fund to the raw materials. When export proceeds come, first Bangladesh Bank loan to the importer is adjusted and remaining part goes to the importer of raw materials.

7.2.2.2 Export Cash Credit:

Under this arrangement a credit is sanctioned against hypothecation of the raw materials or finished goods intended for export. Such facility is allowed to the first class exporters. As the Bank has got no security in this case, except charge documents and lien of export L/C contract, Bank normally insists on the exporter in furnishing collateral security .The letter of hypothecation creates a chare against the merchandise in favor of the bank but neither the ownership not the possession is passed to it.

Such credit facility may be allowed against pledge of exportable goods or raw materials.

In this case cash credit facilities are extended against pledge of goods to be stored in go-down under bank's control by signing letter of pledge & other pledge documents. The exporter surrenders the physical possession of the event of failure of the exporter to honor his commitment, the bank can sell the pledge merchandise for recovery of the advance.

Credit limit may be sanctioned against trust Receipt (T.R). In this case also unlike pledge, the exportable goods remain in the custody of the exporter. He is required to execute a stamped export trust receipt in favor of the bank, where in a declaration is made that goods purchased with financial assistance of bank are held by him in trust for the bank. This type of credit is granted when the exporter wants to utilize the credit for processing, packing & rendering the goods in exportable condition and when it seems that exportable goods can not be taken into bank's custody. This facility is allowed only to the first class party and collateral security is generally obtained in this case.

7.2.2.3 Packing Cash Credit

In this case credit facilities are extended against security of Railway Receipt/Steamer/Receipt/Barge Receipt/Truck Receipt evidencing transportation of goods to the port for shipment of the goods in addition to the usual charge documents and lien of export letter of credit. This type of credit is sanctioned for the transitional period from dispatch of the goods till negotiation of the export documents. The drawings under Export cash credit (Hypothecation/Pledge) limit are generally adjusted by drawings in packing credit limit which is, in turn, liquidated by negotiation of export documents.

7.2.2.4 Purchase of DP & DA Bills

In such a case, the banks purchase/discount the DP (Documents against Payment) and DA (Documents against Acceptance) bill at rate published by the Exchange Rate Committee of authorized dealers. While doing so, the banks should scrutinize all the export documents separately and minutely and clear instructions are to be obtained from the drawer of the bill in regard to all important issues related to the negotiation of the bills.

7.3 Foreign Remittance Department:

This bank is authorized dealer to deal in foreign exchange business. This authorization is given by Bangladesh Bank under Foreign Exchange Regulation Act, 1947 (Section 3). As an authorized dealer, a bank must provide some services to the clients regarding foreign exchange and this department provides these services.

The basic function of this department are outward and inward remittance of foreign exchange from one country to another counter. In the process of providing this remittance service, it sells and buys foreign currency. The conversion of one currency into another takes place at an agreed rate of exchange, which the banker quotes, one for buying and another for selling. In such transactions the foreign currencies are like any other commodities offered for sales and purchase, the cost (convention value) being paid by buyer in home currency, the legal tender.

7.4 Product of Foreign Remittance:

In the remittance department, we can identify two kinds of product that offer for the customers:

1. Traveler's cheque Issue
2. Different kinds of Foreign Currency (F.C) Account open

7.4.1. Traveler's Cheque Issue:

Traveler's Cheques are useful to persons who are frequently traveled abroad. This Bank issues traveler's cheque of AMEX. Customers can encase the TC in abroad from the drawee bank. TC is alternative to holding cash and it provides better securing than holding cash in hand.

- *Buying of Traveler's Cheque:* Customer buys traveler's cheque for use in abroad. But some leaf may be remained unused. The customer can surrender this unused leaf against payment of equivalent amount. All payments are made in local currency. Banks generally buy only those TC.

- Traveler's Cheque received for collection: This Bank for collection receives unused leaves of traveler's cheque issued by another banks. Generally it takes 21 days for collection and customer can draw cash after one month.

7.4.2 Different kinds of Foreign Currency (F.C) Account:

According to Guidelines for foreign exchange transactions, CBL (Authorized Dealer, Gulshan Branch) may open following types of FC accounts without prior permission of Bangladesh Bank:

- I. Private Foreign Currency Accounts
- II. Non-Resident Foreign Currency Deposit (NFCD) Account
- III. Resident Foreign Currency Deposit (RFCD) Account

7.4.2.1 Private Foreign Currency Accounts:

Private Foreign Currency Accounts may be opened in the names of:

- a) Bangladeshi nationals residing abroad
- b) Foreign nationals residing abroad or in Bangladesh
- c) Foreign firms registered abroad and operating in Bangladesh or abroad
- d) Foreign mission, International development organizations and their expatriate employees.
- e) Bangladeshi nationals working with the foreign/international organization operating in Bangladesh provided their salary is paid in foreign currency.
- f) International NGOs, Donor agencies
- g) Diplomatic Bonded Warehouse (Duty free shops) licensed by the Custom Authorities
- h) Exporter to keep his foreign exchange retention quota in this account
- i) Industrial units operating in Export processing zone (EPZs)

Credit to such account may be made against Inward Remittance of foreign exchange in any form or transfer from another foreign currency account or Non-resident Taka accounts of banks abroad.

The account holder can freely remit from this account in foreign currency and where in the world. All payments in Bangladesh should be in the local currency.

Features and Requirement for opening Private Foreign Currency Accounts in the name of a Bangladesh national residing abroad (wage earners):

- Account can be opened without initial deposit
- Remains operative even if operation not made for a particular time
- Wage earners can remit fund from abroad
- First transaction normally takes place when remittance deposited
- Wage earners may also deposit currency notes, traveler's cheques, drafts brought into Bangladesh
- Entire remittance from abroad is free from income tax.

Documents required

- Account opening form duly filled in and signed
- Photographs of the account holder
- Photocopy of the employment contract
- Photocopy of passport of the account holder (first 7 pages) and Visa
- Photographs of the nominee duly attested by the account holder
- Letter of authority (For nominee)
- Specimen signature card which is used both for the account holder and the nominee

Any person intending to open FC account from abroad may send all the aforesaid papers duly attested by authorized officers of nearest Bangladesh Mission to the authorized dealer in Bangladesh.

7.4.2.2 Non-Resident Foreign Currency Deposit Account (NFCD)

All non-resident Bangladesh nationals and person of Bangladesh origin including those having dual nationality and ordinarily residing bearing time deposits named "Non-Resident Foreign Currency Deposit Account" with the ADs.

- NFCD account may be opened by Bangladesh nationals serving with embassies/high commissions of Bangladesh in foreign countries and the officer/staff of the govt. /semi govt./autonomous/nationalized banks posted abroad or deputed with international and regional agencies like IMF, World bank, IDB, ADB etc. during their assignment abroad may open such accounts.
- NFCD Accounts are in the nature of term deposit account maturing after one month, three months, six months and one year. The accounts may be maintained in US Dollar, Pound sterling, Deutsche mark, Japanese Yen and Euro with minimum amount of USD 1000 or Pound sterling 500 or equivalent.
- Application in prescribed form may be sent by the eligible Bangladesh nationals along with a set of specimen signatures of the opener duly verified by Bangladesh mission abroad or authorized dealer's foreign correspondent.
- These accounts may be maintained as long as the account holders desire. Eligible persons are also allowed to open such accounts within six months of their return to Bangladesh
- The account holder can freely repatriate the balance and the interest accrued thereon, in foreign exchange to the country of his residence or any where in the world.

7.4.2.3 Resident Foreign Currency Accounts:

RFCDA Accounts may be maintained by resident Bangladeshi with origin exchange brought in at the time of their return to Bangladesh from visits abroad.

- These Accounts may be opened by any amount of foreign exchange brought in with declaration to customs authority in form FMJ and upto USD 5000 brought in without any declaration.

- RFCD Accounts may be opened in US Dollar, Pound sterling, Deutsche Mark and Japanese yen and may be maintained as long as the account holder desires.
- Interest in foreign exchange shall be payable on balances on such accounts if the deposits are for a term of not less than one month and the balance is not less than USD 1000 or Pound sterling 500 or equivalent. The rate of interest shall be one-quarter percent less than the rate at which interest is paid on balances of banks in their foreign currency clearing accounts maintained with the Bangladesh Bank.

7.5 Miscellaneous services provide by this Department:

- **Student File Open:**
Students who are desirous to study abroad can open file in this bank. By opening this file, bank assures the remittance of funds in abroad for study. Moreover, Bank sends financial information to the diplomatic office, which is very helpful for opener to get visa.
- **Foreign Transfer:**
Foreign Demand Draft: Bank issues Demand Draft in favor of purchaser or any other according to instruction of purchaser. The payee can collect it for the drawee bank in which the Issuing bank of Demand Draft holds its NOSTRO Account. Bank also makes payment on DD drawn on this bank by its foreign correspondence bank through the VOSTRO Account. In the process of remittance, bank must have to make profit as a business institution. Bank makes profit in two ways - 1. Commission charge and 2. Differences between the buying and selling rate.
- **Telex Transfer**
Outwarded TT: Bank also remit fund by tested telegraphich message via its foreign correspondence bank in which it is maintaining its NOSTRO Account.

Incoming TT: In the same manner, CBL makes payment according to telegraphic message of its foreign correspondence bank from the corresponding VOSTRO Account.

➤ Cash Remittance

Cash Dollar/Pound Sell: Bank sells Dollar/Pound for using in abroad by the purchaser. The maximum amount of such sell is mentioned in the Bangladesh Bank publication of Convertibility of Taka for Currency Transactions in Bangladesh.

Cash Dollar/Pound purchase: Bank can purchase dollar from resident and non-resident Bangladeshi and Foreigner. Most dollars purchased comes from realization of Export bill of exchange.

These are the various types services given and operated by Foreign Exchange Department.

Conclusion

CHAPTER

EIGHT

8.0 Conclusion:

It is a great pleasure for me to have Internship in The City Bank Limited. Because without practical exposure it couldn't be possible for me to compare the theory with practice. And it is well established that theory without practice is blind. During the Internship I have observed the function of General Banking, Foreign Exchange, Credit department, Account department of CBL that may help me a lot to be a professional banker in future.

Out of the above discussion a conclusion can be drawn after saying that, the present customer dealing procedure is quite well at this moment and the computerized transaction makes the system efficient and effective.

Appendix

Questionnaire for CBL

1. What is your name?
2. What is your position in the bank?
3. In which department do you work?
 - ◆ General banking department
 - ◆ Foreign exchange department
 - ◆ Loan & Advance department

General Banking department

4. What is the main task of General banking department?
5. How do you collect information about new client?
6. What are the requirements for opening a new account?
7. What kind of products (Scheme) does CBL offer for Client?
8. What is the interest rate for the different scheme?
9. What is FDR, TT, DD?
10. What are the Current, saving and STD account?
11. What kind of products (service) does the CBL provide through this department?
12. How do the customers communicate with the bank?
 - *Through Online
 - *Through Physical visit
13. What are the ways to keep records?
 - *Online
 - *Manual
 - *Both

Foreign Exchange Department

14. What is the main task of foreign exchange department?
15. What is LC (letter of credit)?
16. What is the rule for opening an Import LC (letter of credit)?
17. What is the rule for opening an Export LC (letter of credit)?
18. What is traveler Cheque?
19. What is student file?
20. What is Foreign Currency Account?

21. What kind of products (service) does CBL through this department?

Loan & Advance

22. What is the main task of loan & Advance department?

23. What are the minimum requirements for taking loan?

24. What is the process of loan sanction?

25. What kinds of loan are offering in this Branch?

26. What is present disbursement system of the loan?

27. What is Interest rate to charge for the loan?

28. What kinds of security are used for the loan?

29. Why do you need guarantor for loan?

30. What kind of products or service CBL does through this department?

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