

***INTERNSHIP REPORT ON
IFIC BANK -- DHANMONDI BRANCH***



***TOPIC
THE NEGOTIATION PROCESS
OF
LETTERS OF CREDIT***

SUBMITTED TO
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To

Shawkat Kamal

Assistant Professor

BRAC University

66, Mohakhali, Dhaka.

Subject: Submission of internship report on “The L/C process of IFIC Bank Ltd”

Dear Sir,

It gives me enormous pleasure to submit the internship report on “The negotiation process of Letters of Credit of IFIC Bank Ltd”. I expect this report to be informative as well as comprehensive. While conducting the report, I have gathered lots of knowledge about letters of credit and many unknown facts, problems and prospects of the L/C process. I believe that the experience I acquired from this study will facilitate me a lot in my future career life.

It has also to be mentioned that without your expert advice and cooperation it would not have been possible to complete this report. I shall be pleased to answer any sort of query you may have regarding the report.

Sincerely yours,

Rajia Rahman

ID: 09104036

BRAC Business School.

Acknowledgement

All praises are for Allah almighty that has bestowed upon human being the crown of creation and has endowed him with knowledge and wisdom. After Allah, is the last prophet Mohammed (SAW) who brought for us revelation and unlimited knowledge and civilized the barbarian human being. I am highly thankful to the staff member of IFIC Bank Limited, who really cooperated with me and provides me their complete guidance. In Branch, I observe friendly environment between the employees and they also give me the friendly environment to learn about the bank as well as branch. As banks are very much sensitive about their secrecy, even then after taking an understanding, they let me handle their delicate operations.

Preparing the Internship Report on “The L/C process of IFIC Bank Ltd.” is not an easiest assignment where the information should be analyzed properly and some data yet to be disclosed on the report. This descriptive paper is the outcome of my practical working experience in IFIC Bank Ltd, Dhanmondi Branch. For successful completion of this report, I have been fortunate to have the support, assistance and encouragement of a number of individuals. Many of them played a decisive role in helping me making this report, although I honestly accept full responsibility for all the errors and omission.

My special thanks to

1. Nurul Bashar Abul Mamum (Senior Vice President, Branch Manager)
2. Mafruha Ishrat (Assistant Vice President)
3. Rehana Quazi (Assistant Vice President)
4. Jayanti Saha (Senior Principle Officer)
5. Marium Begum (Principle Officer)
6. Abu Sikandar Jafar (Senior Officer)
7. James Trurence (Senior Officer)
8. Rakib Hasan (Officer)
9. Abdullah Al Mamun (Officer)

Executive Summary

To survive competitively in the market any business whether it is production or service oriented should make their product and services more diversified. Responding to the market demand IFIC Bank Dhanmondi Branch opens a huge amount of Letters of Credit every year. L/C is a major income source of the bank which is a long process and need lot of documentation. That is why I have decided to prepare my internship report on the Negotiation Process of Letters of Credit. This report has been conducted to find out the overall procedure of L/C by considering two real companies. As IFIC Dhanmondi Branch is one of the big branches and located in a lucrative commercial position a big number of clients come here. So the number of transaction in each department is high. There are three department—General Banking (GB), Credit and Foreign Exchange (FOREX). In GB client oriented transaction number is more than other department where credit and FOREX do a lengthy task but the direct involvement of client is not that much as GB. The most full of activity department is the foreign exchange where a single task is required lengthy time to complete whereas other department can do the same task within one third time of the foreign exchange. Due to the critical nature of the process of Letters of credit, the whole process takes more than three months to complete a single L/C. So in compare to other department there is no specific day closing of foreign exchange but they do monthly closing and send that information to the head office of IFIC bank and Bangladesh Bank at the beginning of each month. During the negotiation process of L/C the modern technology which is worldwide recognized is used named SWIFT. By using SWIFT any countries authorized dealer or a.d. bank can do transaction with any other country of the world. SWIFT is the electrical medium to transfer the confidential information of importer and exporter. However paper documentation is needed for L/C which is sent to the desired party by courier. By the money transfer the L/C process summed up and IFIC bank can calculate the final income from a single L/C.

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CHAPTER 01

Introduction

Overview of the Topic

Back Ground of the Report

Banking system occupies an important place in a nation's economy. A banking institution is indispensable in a modern society. It plays a pivotal role in the economic development of a country and forms the core of the money market in an advanced country. In recent times the banking sector over the world has been undergoing a lot of changes due to deregulation, technological innovation, globalization etc. Bangladesh banking sector is lagging far behind in adopting these changes.

From the whole Bachelor of Business Administration (BBA) Program, we studied our courses on business studies and some technological concepts from theoretical aspects. There was no scope to earn practical knowledge about real life and its environment. Theory and practice are inter related and are equally important. Knowledge is not fruitful one unless it is a combination of both theory and practical. BRAC University allows us to do our practical orientation in some organizations in order to get a practical knowledge which also facilitates use of theoretical knowledge. As a part of requirement of BBA Program, I was also assigned to prepare a report titled "The Letter of Credit (L/C) process of IFIC Bank Limited."

It is a support to arrange Practical orientation in Banks. This program consists of at least three phases.

- Orientation with the Bank
- Completing the project work
- Writing the report.

Origin of the Report:

This is an internship report which is mainly prepared for the completion of 4 credits required to be graduated in BBA (Bachelors in Business Administration) from BRAC Business School of BRAC University. The primary goal of the internship was to provide an 'on the job' exposure to the students and an opportunity to transform theoretical knowledge to practical experience. My university supervisor Mr. Shawkat Kamal assigned me the topics with which I prepared the report. The topic of the report is "The negotiation process of Letters of Credit of IFIC Bank Ltd". I have tried my level best to make the report an excellent one by doing correct justice to the topic.

Objective of the Study:

Broad Objective

The study was conducted to make a review and analysis of the marketing impact of new feature of savings account which include feature, benefit, procedure, impact on marketing by IFIC Bank Limited. This paper attempts to discuss overall impact on utilization of technological tools at IFIC Bank Limited. The purpose was also to make recommendations for improving the quality and soundness of those processes for consideration of the bank management.

Specific Objectives

Specific objectives are-

- To familiarized with practical job environment.
- To have an exposure on the financial institution especially on banking environment of Bangladesh.
- To present an overview of IFIC Bank Limited.
- To present modern technology that the IFIC Bank Ltd have been used.
- To identify the problems facing by IFIC Bank Limited and suggest remedial measures

Scope

This report has been prepared through extensive discussion with bank employees and by participating real life experience. Prospectus provided by the bank also time of preparing the report, I had a great opportunity to have an in depth knowledge of all the banking activities, especially in Foreign Exchange Department, Import and Export Section, practiced by the IFIC Bank Limited.

Methodologies are followed for preparing the report

In order to conduct such a study the report prepares must follows some specific methods. This report is based on an experimental method, which is stated hereafter.

Primary Data

- Face-to-face conversation with the respective officers the Branch.
- Practical work exposures of the Branch covered.
- By observation and participation in the various Paper work
- Relevant file study as provided by the officers concerned.

Secondary Data

- Annual Reports of the IFIC Bank Limited.
- Periodicals published by Bangladesh Bank.
- Different publications and manual regarding banking functions, foreign exchange operation.
- Internet has been also used as a theoretical source of information and the company website as well.
- Some Books was also used as well for theoretical information.

Limitations of preparing the report

Some restraints at the time of preparing the report are appended below:

- 1) Inadequate knowledge in studying reports.
- 2) Lack of in-depth understanding of certain terms and concepts prevented us from going into details.
- 3) Lacks of research.
- 4) Time limitation is also been there.
- 5) Lack of information and coordination of concerned employee.
- 6) Confidentiality of data was another imperative barrier that was faced during the conduct of this study.

CHAPTER 02

THE ORGANIZATION

Overview of IFIC Bank

During 28th January 1965 The Eastern Banking Corporation inaugurated its operation in East Pakistan as a commercial bank. After 6 months of its inauguration it has got the status of Schedule Bank. It was the first Bengali Owned commercial Bank. After liberation the Eastern Banking Corporation was changed by name as **International Finance Investment and Commerce Bank Limited** (IFIC Bank Ltd).

International Finance Investment and Commerce Bank Limited (IFIC Bank) is a banking company incorporated in the People's Republic of Bangladesh with limited liability. It was set up at the instance of the Government in 1976 as a joint venture between the Government of Bangladesh and sponsors in the private sector with the objective of working as a finance company within the country and setting up joint venture banks/ financial institutions abroad. The Government held 49 per cent shares and the rest 51 per cent were held by the sponsors and general public. On June 24, 1983 when the Government allowed banks in the private sector, IFIC was converted into a full-fledged commercial bank. The Government of the People's Republic of Bangladesh now holds 35% of the share capital of the Bank. Leading industrialists of the country having vast experience in the field of trade and commerce own 34% of the share capital and the rest is held by the general public.

IFIC Bank Dhanmondi branch started its journey on 8th September, 1986.

Nature of business:

IFIC Bank Ltd offers full range of banking services that include—

- Deposit banking
- Loans & advances facilities
- Export and Import facilities
- International remittance facilities
- Foreign Exchange transactions
- Q-Cash (providing both Debit & Credit card facilities)

Vision & Mission statement

Vision:

To be best private commercial Bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong liquidity.

Mission:

Our Mission is to provide service to our clients with the help of a skilled and dedicated

Work force whose creative talents, innovative actions and competitive edge make our position unique in giving quality service to all institutions and individuals that we care for.

We are committed to the welfare and economic prosperity of the people and the community, for we derive from them our inspiration and drive for onward progress to prosperity.

In an intensely competitive and complex financial and business environment, we particularly focus on growth and profitability of all concerned.

Goal of the Bank

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

A) **Long Term Goal** – Keeping ahead of other competitors in productivity and profitability.

B) **Short Term Goal** – To attain budgetary targets fixed in each area of business.

Strategic and Financial Objectives

Strategic Objectives:

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

Financial objectives:

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

Strategy:

IFIC Bank Limited mainly follows top down approach to take necessary decisions for the company. Basically they follow the centralize strategy where the Head Office of the Bank control and monitor all the activities of its branches. In case of marketing strategy they basically depend on “word of mouth” as they are already well reputed for its long-term service in the banking industry. The strategic priorities of IFIC bank are:

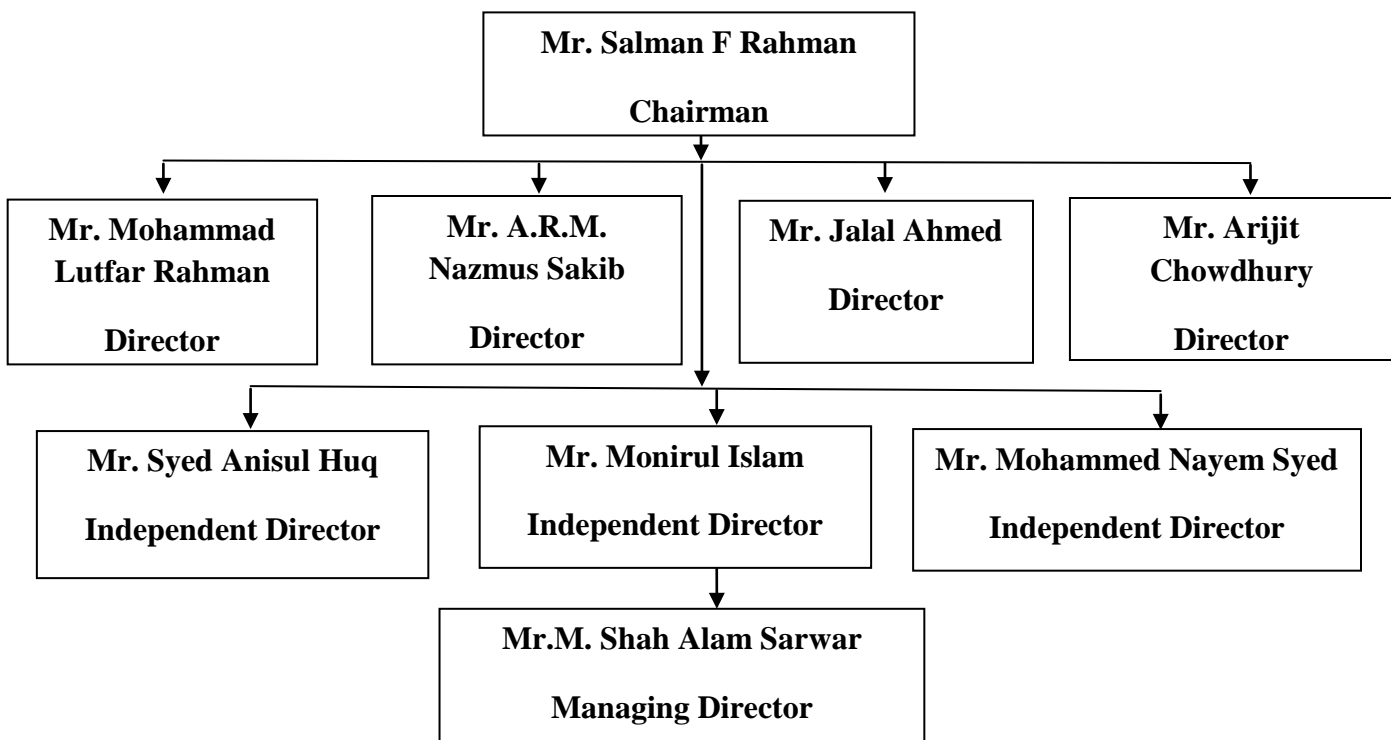
1. To strive for sound business growth by ensuring customer satisfaction through quality and timely services
2. To manage and operate the Bank in the most efficient manner to ensure achievement of goal
3. To maintain adequate capital flow to support further growth
4. To ensure effective and efficient risk management for sustainable business growth
5. To diversify loan portfolio through structured finance and expansion of Corporate, SME, Agri and Retail businesses
6. To mount state-of-the-art technologies and adopt innovative ideas for financial inclusion
7. To groom human resources for serving customers efficiently
8. To increase brand visibility by creating positive image of the Bank
9. To be a trend-setter in serving the society and remain responsive to the environment
10. To ensure sound corporate governance
11. To facilitate mobility in banking by up gradation of Internet and Mobile Banking
12. To add value for all stakeholders.

Ownership Structure

The Government of the Peoples' Republic of Bangladesh now holds 35% of share capital of the Bank. Leading industrialists of the country vast experience in the field of trade and commerce own 34% of the share capital and the rest 31% is held by the general public.

Management structure

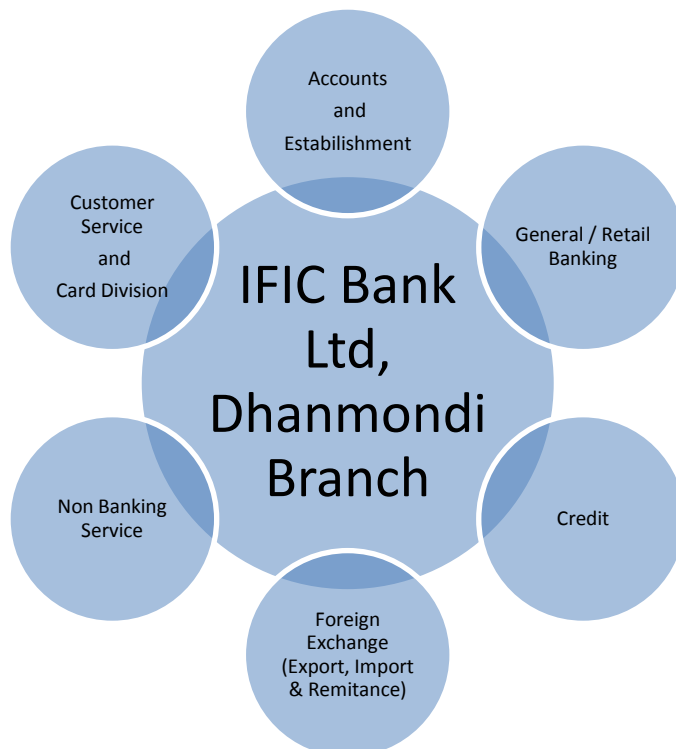
The nine members of the Board of Directors are responsible for the strategic planning and overall policy guidelines of the Bank. There is an Executive Committee of the Board to dispose of urgent business proposals. Besides, there is an Audit Committee in the Board to oversee compliance of major regulatory and operational issues. The CEO and Managing Director are responsible for achieving business goals and overseeing the day to day operation. The CEO and Managing Director are assisted by a Senior Management Group consisting of Deputy Managing Directors and Head of Divisions who supervise operation of various Divisions centrally and co-ordinates operation of branches. Key issues are managed by a Management Committee headed by the CEO and Managing Director. The Board of Directors is:



Structure of Dhanmondi Branch

The structure of Dhanmondi Branch of IFIC Bank Ltd. is as follows:

Functional Department/Services at Dhanmondi Branch



Core Values

- Integrity** : Upholding integrity in all that we do, always, everywhere.
- Fairness** : Striving to offer the best to our customers equitably with transparency.
- Innovation** : Encouraging and nurturing creativity.
- Commitment** : Committed to excellence in customer service and maximization of Stakeholders' value through teamwork.

Corporate profile:

- Name of the Company** : International Finance Investment and Commerce Bank Limited (IFIC)
- Legal Form** : IFIC Bank Limited was incorporated in Bangladesh and registered with the Registrar of Joint Stock Companies and Firms as a public company limited by shares.
- Authorized Capital** : Tk. 20,000 million
- Paid up Capital** : Tk. 3460.50 million
- Listing Status** : Listed with Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange Ltd. (CSE) in 1986 and 1997 respectively.
- Market Category** : 'A' Category
- TIN** : 210-200-0537, LTU, Dhaka.
- VAT Reg. Number** : 9021077014
- Swift** : IFIC BD DH
- Subsidiary Company** : IFIC Securities Limited, IFIC Money Transfer (UK) Limited
- Name of Chairman** : Salman F Rahman
- Name of Managing Director & CEO** : M. Shah Alam Sarwar
- Name of CFO** : S. M. Abdul Hamid
- No. of the Employees** : 2422
- No. of Branches** : 106
- No. of Shareholders** : 40295
- Slogan of IFIC Bank** : "Your Satisfaction Fast.

Milestone in the development of IFIC bank

- 1976** - Established as an Investment & Finance Company under arrangement of joint venture with the Govt. of Bangladesh.
- 1980** - Commenced operation of Foreign Exchange Business in a limited scale.
- 1982** – Obtained permission from the Govt. to operate as a commercial bank, set up its first overseas joint venture (Bank of Maldives Limited) in the Republic of Maldives (IFIC’s share in Bank of Maldives limited was subsequently sold to Maldives Govt. in 1992)
- 1983** – Commenced operation as a full-fledged commercial bank in Bangladesh.
- 1985** – Set up a joint venture Exchange Company in the Sultanate of Oman, titled Oman Bangladesh Exchange Company (subsequently renamed as Oman International Exchange, LLC)
- 1987** – Set up its first overseas branch at Karachi in Pakistan
- 1993** – Set up its second overseas branch at Lahore in Pakistan
- 1994** – Set up its first joint venture in Nepal for banking operation, titled Nepal Bangladesh Bank Ltd.
- 1999** - Set up its second joint venture in Nepal for lease financing, titled Nepal Bangladesh Finance & Leasing Co. Ltd. (which was merged with NBBL in 2007)
- 2003** - Set up a new Bank in Pakistan, NDLC-IFIC Bank Ltd. (Subsequently renamed as NIB Bank Ltd.) and the Overseas Branches of IFIC and a local leasing company, NDLC were amalgamated with and into it.
- 2005** - Acquired MISYS solution for real time online banking application
- Core Risk Management implemented
- 2007** - Launched VISA branded Credit Card (completed full range of cards i.e. Debit, Credit & Prepaid by 2010)
- 2010** - Set up Offshore Banking Unit (OBU)
- 2011** - Established a fully owned subsidiary exchange company named IFIC Money Transfer (UK) Ltd.
- 2012** - Inauguration of 100th Branch at Tejgaon-Gulshan Link Road in Dhaka.

Products & Services of IFIC Bank Ltd

Corporate Banking

IFIC Bank is offering specialist advices and products to corporate clients to meet diverse demands of the changing market scenario. The bank has an extensive branch network all over the country to expedite the client's business growth. The bank facilitates the clients to face the challenges and realize opportunities. The bank's main focus is relationship based banking and understanding corporate and institutional business environments. Products and services for corporate clients include:

- 1) Working
- 2) Capital Finance,
- 3) Project Finance,
- 4) Term Finance,
- 5) Trade Finance,
- 6) Lease Finance,
- 7) Syndication Loan etc.

Retail Banking

Retail Banking is mass-banking facility for individual customers to avail banking services directly from the wide branch network all over the country. The bank provides one-stop financial services to all individual customers through its innovative products & services to provide their need. With a view to provide faster and more convenient centralized online banking services, now, all its branches have been brought under the real time online banking system. IFIC Bank offers a wide variety of deposit products, loan product & value added services to suit the customer's banking requirements. Products and services for individual customer include:

1. Consumer Finance,
2. Deposit Product,
3. Debit & Credit Card,
4. Pre Paid Card
5. Student File,
6. SMS Banking etc.

SME Banking

The growth of Small and Medium enterprises (SMEs) in terms of size and number has multiple effects on the national economy, specifically on employment generation, GDP growth, and poverty alleviation in Bangladesh. At present, Small & Medium Enterprise sector is playing a vital role in creation of new generation entrepreneurs and 'Entrepreneurs Culture' in the country. Experience shows that borrowers of small enterprise sector prefers collateral free loan since normally they cannot offer high value security to cover the exposure. To facilitate SME sector of the country, IFIC Bank provides collateral free credit facilities to the small & medium entrepreneurs across the country whose access to traditional credit facilities are very limited. The bank is offering 15 different products for selected target groups such as –

1. Retailers Loan
2. Transport Loan
3. Commercial House Building Loan
4. Possession Right Loan
5. Contractor's Loan
6. Bidder's Loan
7. Working Capital Loan
8. Project Loan
9. Trade Finance
10. Muldhan
11. Women Entrepreneur's Loan

Agricultural Credit

Bangladesh is an agro-based country and majority of the population is dependent on Agriculture. Although maximum of the total population is dependent on agriculture, its contribution to GDP has gradually come down. Moreover, every year a huge amount of food grain and other agricultural products are imported to meet the demand of the country. In order to achieve desired growth in agriculture sector of the country the bank is committed to increase present loan portfolio in agricultural sector. IFIC Bank is offering Agriculture Loan products namely –

- 1) Krishi Saronjam Rin - for Agriculture Equipments
- 2) Shech Saronjam Rin - for irrigation equipments
- 3) Poshupokkhi & Motsho Khamar Rin - for Live Stock & Fish Culture &

- 4) Phalphasali Rin - for Fruit Orchard for individuals & group at micro level.
- 5) Phasali Rin

Lease Finance

Lease means a contractual relationship between the owner of the asset and its user for a specified period against mutually agreed upon rent. The owner i.e. the Bank is called the Lessor and the user i.e. the customer is called the Lessee. Lease finance is one of the most convenient sources of financing of assets viz. machinery, equipment, vehicle, etc. IFICBL, the highly capitalized private Commercial Bank in Bangladesh has introduced lease finance to facilitate funding requirement of valued customers and growth of their business houses. Its lease facility is extended to the items like Industrial Machinery, Luxury bus, Mini bus, Taxi cabs.

Lease items:

- 1) Vehicles like Luxury Bus, Mini bus, Taxi Cabs, Cars, Pick-up, CNG etc.
- 2) Industrial Machinery & Equipment.
- 3) Medical Equipment.
- 4) Machinery for Agro-based Industry.
- 5) Construction Equipment.
- 6) Office Equipment.
- 7) Generators, Lifts & Elevators for commercial place.
- 8) Sea or River Transport.
- 9) Computer for IT Education Center.

Treasury & Capital Market

IFIC Bank Limited is devoted to capital Market of the country and offers world standard brokerage services for individual and institutional investors. The Bank is responsible for origination of sales, buy and trading of securities of Capital markets. It aims to provide relevant support to its customer with sophisticated and innovative financial solutions and delivering the highest quality of services. It has a seat in Dhaka Stock Exchange Limited.

The Treasury Division of IFIC Bank is engaged with Cash Management, Liquidity Planning and Liquidity Protection. It is also conscious to protect all the bank's Assets and Profits against loss due to domestic as well as global financial realities, particularly Interest and Exchange Rate

fluctuations. The Treasury Department is also regarded as a Profit Center, which generates income by trading instruments in the Financial Market.

To manage treasury unit as profit centre, along with guidance from regulatory authorities, the bank equipped itself with clear policies, fit organization structure, deployment of trained staff, modern infrastructural facilities and technological initiatives.

Major functions of treasury division of IFIC Bank are –

- 1) Fund Management
- 2) Management of Statutory Requirement
- 3) Investment
- 4) Trading of Foreign exchange & Money Market Instruments
- 5) Asset Liability Management
- 6) Risk Management

IFIC Bank has a dedicated Treasury team which is capable of providing all treasury solutions through wide range of Treasury products. IFIC Treasury has four different desks, which are specialized in their own area to provide best services with respect to pricing, best possible solution for customer requirement and market information.

General banking

General banking is the preparatory point of all the banking operations. It is the department, which provides day-to-day services to the customers. Everyday this department has to maintain multifarious function. It receives deposits from the customers and meets their demand for cash by honoring cheque, it opens new accounts, remit funds, issues bank draft and pay orders etc.

Functions of this department

- Accounts Opening section
- FDR section
- Cash section
- Clearing
- Local remittance
- Customer service
- Non-Banking Service

Account opening

In general banking, the account section plays a very important role. Selection of customer is very important for the bank because banks success and failure largely depends on their customers. If customer is bad, they may create fraud by their account with bank and thus destroy goodwill of banks. So, this section takes extreme caution in selecting its customer base. When a person want to open an account in IFIC Bank Limited, Dhanmondi Branch, needs to communicate with responsible officer. For opening an account the applicant must fill up a bank account opening form and needs to present some documents.

Target Customers of IFIC Bank,

The customers of IFIC Bank are as follows:

- I. Individual person
- II. Sole proprietorship firm
- III. Partnership firm
- IV. Private Limited Company
- V. Public Limited Company
- VI. Government and semi Government Organization.
- VII. Bank Employee

Account Opening Process

There are different forms for different types of account. The customer has to fill that particular form for which account he wants to open. Generally, the following information is required to open an account:

- Name of the applicant(s)
- Profession/Nature of business
- Permanent & present address
- Special instruction regarding the operation the account (if any)
- Introducer's name & account number
- Specimen signature in the signature card
- Partner's name, address and signature (in case of partnership firm)

- Photocopy of Passport/Ward Commissioner’s certificate/Chairman certificate of Union parishad/ Employer’s certificate regarding identification and nationality of the person(s) concerned
- Two copies of photographs of applicant and one copy of nominees which is verified by the applicant. The selection of a nominee by the applicant mandatory and the applicant, in the relevant part of the form, must attest the photograph of the nominee.

The concerned officers verify the account opening form. If the particulars are properly filled up, the customer is entitled to open the account. He has to submit some particular documents, which vary due to the kinds of the accounts. In order to open any kind of account a customer is required to submit particular documents that vary due to the kinds of account. Here are required documents according to the kinds of accounts:

For Individual/joint/Partnership/Social Club:

The bank requires the following documents, which must be up-to-date and duly completed:

- Account opening form properly filled up and signed by the applicant(s)
- Specimen signature in the signature card
- Two copies of photographs of applicant, each partner/director
- The photos must be attested by the introducer
- Mandate or authority from the opening an individual, partnership account is to be obtained where a customer want to authorize another person to operate on his account.
- Certified true copies of by-laws, rules, regulations constitutions in case of societies, club, association and limited companies etc.
- Certified copy of resolution authorizing opening and operation of the account with bank passed by the executive committee/ managing committee of the society/ club of association, limited companies etc.
- List of the directors.
- Partnership deed or letter of partnership for partnership firm.

For sole proprietorship concern:

- All the general information regarding opening an account
- Trade license

For limited companies/corporation:

- Account opening form.
- Specimen signature card.
- Memorandum and articles of association.
- Resolution of board of directors authorizing opening of the account with the bank.
- Certificate of incorporation.
- Certificate of commencement at business.
- List of directors
- Individual bio-data of each director & Photocopy of Passport/ Ward Commissioner's certificate/ Chairman Certificate of Union Parishad/ Employer's certificate regarding identification and nationality of the directors' concerned

Minimum deposit for opening an account:

Every customer has to deposit a certain sum of money to incorporate the account.

<u>Type of account</u>	<u>Rural Area</u>	<u>Urban Area</u>	<u>Interest Rate</u>
General Savings	500/-	1000/-	5.50%
Smart Savings	300/-	300/-	5.50%
Super Saving Point(SSP)	10000/-	10000/-	Less than tk100000/- 5.50% Tk100000/- to less than 200000/- 6.00% Tk 200000/- & above 7.00%
Current Account	1000/-	2000/-	N/A
Short Notice Deposit (SND)	25000/-	25000/-	Less than Tk 1 Crore 2.00% Tk 1 Crore to less than 100 Crore 4.00% Tk 100 Crore & above 8.00%
Fixed Deposit Receipt (FDR)	50000/-	50000/-	FDR 1 month 7.00% FDR 3 months 11.00% FDR 6 moths 11.50% FDR 1 year 12.00%
Double Return Deposit Scheme	50000/-	50000/-	12.24%

Monthly Income Scheme	50000/-	50000/-	1 year, 2 year, 3 year – 12.00%
PSS	5000/- to 500000/-	5000/- to 500000/-	1 year, 2 year, 3 year – 12.00%

The maintenance charge of current account is 1000/- annually which is charged semiannually. For saving account the maintenance charge is 400/- annually and 200/- semiannually.

Cheque book issue:

The following procedures are maintained for issuing a Cheque book:

- Firstly the customer will fill up the cheque requisition form.
- Authorized Officer Asses all of these Cheque requisition and send it to the Head Office with a cheque requisition application.
- Head Office sends Cheque book to the branch.
- Put entry in the Cheque book issue Register.
- The leaves of the Cheque book under issue shall be counted to ensure that all the leaves and the requisition slip are intact and the name & account number shall be written on all the leaves of the Cheque book and on requisition slip.
- The name and the account number of the customer shall be written in the Cheque book register against the particular Cheque book series.
- Customer comes for the Cheque book.
- Taken signature in the Cheque book Register from the customer and put entry in the computer software.
- Then the Cheque book is handed over to the customer after taking acknowledgement on the requisition slip.

Transfer of an account to another Branch:

Sometimes the customer wants to transfer his account to another branch due to various reasons. IFIC Bank, Dhanmondi Branch, also gives this kind of facility to the customer. In this case, they will have to submit an application to the branch manager stating the reasons. The officer verifies the signature and finds out the balance of the party. The holder also submits the rest cheque leaves along with the application. Then the officer issues an Inter Branch Credit Advice (IBCA)

to that branch and a debit voucher with the balance of deposit in that account. He also sends the account opening form and specimen signature card to that new branch. The new branch officer verifies the customer signature with account opening form supplied to him. The amount mentioned in the IBCA considered as the initial deposit of the new branch.

Closing Procedure of an account:

There are two reasons to close an account.

By Banker – banker has the right to close the account if the customer does not maintain any transaction six years and the balance is become lower than the minimum balance.

By Customer – if the customer wants to close his account he will write an application to the manager and the manager then close the account. Firstly, the concerned customer has to apply for closing his/her account. Then to close the account the cheque book is to be returned to the bank. After charging the account closing charge the Manager will close the account.

Closing charges of any type of account is Tk 200/-

The rest amount of money laid in the respective account is paid to the customer by a payment order. In case of payment order certain commissions and vat are cut off from the account.

Fixed Deposit Receipt (FDR)

FDR is known as term deposit. Term deposits are made with the bank for a fixed period of time. The bank need not maintain cash reserves against these deposits. The bank offers high rate of interest on such deposit. FDR can be three types as per their time duration- Three Months, Six Months, One Year and Two year. During opening of this sort of account, along with other conventional procedure, the A/C holder is given the receipt of his deposited amount and date to maturity of his deposit.

Opening of FDR

The depositor has to fill an application form. The required information and documents are as same as account opening. The banker also takes the specimen signatures of the depositors. Necessary entries are given on the FDR register.

Premature Encashment of FDR

In case of premature FDR, the interest on such a fixed Deposit is made cut a certain percentage less than the agreed rate .Normally, saving rate is given instead of FDR rate.

Liquidation of FDR

1. Only the amount holder himself and the authorized person can liquid the FDR after maturity.
2. In case of joint name, authentication from both is necessary.
3. In case of ‘Either of Survivorship’ clause – anyone can liquid.
4. In case of Death, the survivor cannot encase the FDR even if there exist the either or survivor, clause-succession certificate from the court is needed.
5. If demanded before the maturity the last expired duration is considered to pay interest.

Cash Section

Cash department is the most vital and sensitive organ of the branch as it deals with all kinds of cash transactions. This department starts the day with cash in vault. Each day some cash that is opening cash balance arc transferred to the cash officers from the cash vault. Net figure of this cash receipts and payments are added to the opening cash balance. The figure is called closing balance. This closing balance is then added to the vault. And this is the final cash balance figure for the bank at the end of any particular day. Cash department in the IFIC Bank, Dhanmondi Branch is authorized dealer of foreign currency, so it can deal with buying and selling of foreign currency. It is the mobilization unit of the banking system

Functions of Cash Department

Cash Payment:

- Cash payment is made only against checks
- This is the unique function of the banking system which is known as payment on demand
- It makes payment only against its printed valid checks.

Cash Receipt:

- It receives deposits from the depositors in form of cash
- It collects money only its receipts forms

Cash payment process

Step 1 – Receiving Check by the employee in the cash counter

Step 2 – Verification of the followings by the cash Officer in the computer section

- Date of the check (it is presented within 6 month from issue date)
- Issued from this branch
- Amounts in figure and sentence written does not differ
- Signature of the drawer does not differ
- Check is not torn or mutilated

Step 3 – Gives pay cash seal and sends to the payment counter

Step 4 – Payment officer makes payment

Clearing House

According to the Article 37(2) of Bangladesh Bank Order 1972, the banks, which are the member of the clearinghouse, are called as Scheduled Banks. The scheduled banks clear the cheque drawn upon one another through the clearinghouse. Every working day IFIC Bank Ltd, Dhanmondi Branch, receives about 100-150 cheques that made on another bank. When IFIC Bank, receives this type of cheques, they send these cheques to the Clearinghouse of Bangladesh

Bank through the Head Office. The Clearinghouse is formed with the representative of every scheduled bank. IFIC Bank Ltd representative gives the cheque to the representative of respected branch on which cheque is made. After one or two days the bank on which cheque is made sends a message about the validity of the cheque by Bangladesh Bank that means it provides information about account and deposited money on this account.

The clearinghouse sits for one time a working day. The dishonored cheque are sorted and informed to those party's the next day. If the party wants to take back the cheque the concerned officer will give an entry to the cheque return register where the party will give sign and take the cheque back. If the party does not take back the cheque and want to hold the cheque, the concerned officer will keep the cheque with the list of dishonor cheque. The party can represent the cheque by talking to the account holder. This is the clearing process of Magnetic Ink Character Recognition, or MICR cheque.

Non MICR Cheque

Non MICR cheques are sent for collection. When the collection is made, IFIC Dhanmondi receives the remittance, then the branch transfer the amount to the respective client's A/C. This process is long, it takes 7-10 working days, depends on where the instrument been sent for collection.

Remittance Arrangement

As IFIC bank is operating internationally, it has international affiliation with different country for local remittance collection.

- Oman International Exchange (OIE)/Speedy Cash -- 7 digits and affiliation with Oman.
- Money Gram Payment Systems, Inc -- 8 digits, cover 185 countries.
- Coinstar Money Transfer/ Sigue Global Services (SGS) Ltd -- 9digits, cover 80 countries.
- Xpress Money Services Ltd --16 digits cover 30 countries.
- Placid N. K. Corporation -- 12 digits, Italy, Malaysia, USA, UK.
- Multinate Trust Exchange LLC --12 digits, UAE

- Al Fardan Exchange -- 13 digits, UAE
- Asis Exchange Centre -- 0 digit, UAE
- IFIC Money Transfer (UK) Ltd --11 digits, UK

Local Remittance

Sending money from one place to another place for the customer is another important service of banks. This service is important part of country's payment system. For this service, people, especially businessmen can transfer funds from one place to another place very quickly. Now a day's IFIC Bank only serves payment order or PO. The other four types of local remittance mode are out of date.

Payment Order

A payment Order (PO) is an instrument to remit fund within a clearing zone. The PO can only be cashed through the issuing branch.

PO Method

Pay order can be done by two ways.

1. Giving cash
2. Transferring cheque

Issuing of a Payment Order

The procedures for issuing a PO are as follows:

- Customer submit application to the officer along with money
- Give necessary entry in the bills payable register where payees name, date, PO- no, etc. are mentioned
- Prepared the instruments
- The instrument is send to Head Office by fax for approval.
- After approved the instruments by authority, it is delivered to the customer
- Signature of the customer is taken on the counterpart.

Rate of commission and vat for Pay Order:

<u>Up to Tk</u>	<u>Commission</u>	<u>VAT</u>
Tk 1 to Tk 100000	50/-	8/-
Tk 100001 to Tk 500000	100/-	15/-
Tk 500001 and above	150/-	23/-

Any cancellation charge of Pay Order is 75/-.

Locker Service

Bank locker is another service offered by IFIC Bank, Dhanmondi Branch.

- 3types of locker are there – Small, Medium, and Large.
- The annual charges of those lockers are 2000/-, 3000/- and 4000/- respectively.
- Key charge for any size of locker is 2000/-.
- To open a locker the party has to have an account with IFIC bank.
- For maintaining a locker minimum 40000/- balance need to be remain in the account
- If party wants to see the locker she/ he have to sign in the register which is maintained for locker where the party name, locker number, time of visit is mentioned.
- Based on locker size the register book is different.

Customer Service

This department deals with debit card and credit card. If customer wants to have a debit card s/he can fill up the application form during account opening time or later. To have a debit card

To have a credit card account with IFIC bank is not mandatory. The main requirement for credit card is TIN certificate. The other required documents are ---

For individual — Salary statement, Voter ID, bank statement, utility bill for address verification, bill copy of other bank’s credit card, reference of two people,

For business —Additional document is needed for business is Trade license.

Non-Banking Service

IFIC Bank Limited, Dhanmondi Branch also provides non-banking services like Shanchaypatra. This branch is the agent of the Bangladesh Bank. On the behalf of Bangladesh Bank this branch sells different types of shanchaypatra like

1. 3 Months Profitable Shanchaypatra or Interest Bearing Shanchaypatra (IBSP).
2. 5 Years Bangladesh Shanchaypatra (BSP).

Interest Bearing Shanchaypatra (IBSP)

- Maximum 30 lac BDT Shanchaypatra can be issued by one name.
- Maximum 60 lac BDT Shanchaypatra can be issued by two name.
- For 1 lac Tk the per interest rate is
 - 1 year 9.80%
 - 2 years 10.80%
 - 3 years 12.59%
- The profit amount of IBSP
 - For 1 lac 3000/-
 - For 2 lac 6000/-
 - For 5 lac 15000/-
- 5% tax is deducted yearly on IBSP.

Bangladesh Shanchaypatra

- To get income tax rebate people buy or invest in BSP.
- The denomination of Bangladesh Shanchaypatra are 100/-, 500/-, 1000/-, 10000/-, 50000/-, 100000/-, 500000/-, 1000000/-.
- The interest rate of BSP are
 - 1 year 9.20%
 - 2 years 9.95%
 - 3 years 10.70%
 - 4 years 11.45%
 - 5 years 13.19%

- The interest rate for pre mature BSP:

For 1 year	7%
2 year	8%
3 year	9%
4 year	10%
5 year	12%
- 5% tax is deducted yearly on BSP.

Dispatch Section

Dispatch division mainly operates the letter to the client, Inter Bank Credit Advice (IBCA), Inter Bank Debit Advice (IBDA), Out ward Bill Collection (OBC) to the other banks for internal transaction with the bank.

Beside dispatch branches, another bank, opposing bank (in case of Import), and opening bank (in case of Export) in the name of IFIC Bank Limited, Dhanmondi branch. The officer engaged in the dispatch attachment maintains two types of register books to keep entries of those documents particulars.

These two types of books are:

1. Inward mail -- for receiving letters
2. Outward mail -- for sending letters

Establishment section

This section deals with employees salary, many types of internal expenses such as purchases of stationary, equipment, machinery, payment of labor cost and convince. In case of leave of absence employee collects prescribed form from this section.

Foreign Exchange

Foreign Exchange Department is international department of Bank. It deals globally. It facilitates international trade through its various modes of services. It bridges between importers and exporters. If the branch is authorized dealer in foreign exchange market, it can remit foreign exchange from local to foreign country. This department mainly deals in foreign currency. This is why this department is called foreign exchange department.

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 (UCPDC – 1993 revision & International Chamber of Commerce Publication no – 500) is also an important law for settlement of terms and conditions between exporter and importer in international trade. Government’s Import & Export policy is another important factor for import and export operation for banks.

Bangladesh Bank in exercise of the power conferred by section (3) three of Foreign Exchange Regulation Act 1947 issued license to schedule bank to deal in Foreign Exchange. From that power Bangladesh Bank gave permission to IFIC for Foreign Exchange operation. IFIC Bank started operation Foreign Exchange Business from the 3rd June, 1983. Out of 103 branches of IFIC 24 branches can deal in Foreign Exchange business. These are known as Authorized Dealer branches.

IFIC started its commercial banking activities in full scale on the 1983 foreign exchange operations are performing in a large profile. For convenience this mechanism can be broken in to three parts:

1) Import & Export

Import of merchandise essentially involves two things, bringing of goods physically into the country and remittance of foreign exchange towards the cost of the merchandise and services connected with its dispatch to the importer and export is the vice versa.

2) Remittance

Foreign remittance can be defined as “the purchase and sale of freely convertible foreign currencies as admissible under Exchange Control Regulations of country”. It refers to the

transfer of fund from one country to another through channel. There are two types of remittances---

i. Foreign outward remittance:

- The sending country where the wage earner is located.
- The sender uses a bank or foreign exchange company to send money to foreign country.
- Example: Foreign Demand Draft, Foreign Telegraphic Transfer, Foreign mail transfer, Traveler's cheque, Foreign Currency Note.

ii. Foreign inward remittance:

- The receiving country where the beneficiary resides.
- The bank receives the money that has been sent from the sending person in the country in which the money has been earned.
- Example: Inward Telegraphic Transfer, Mail Transfer, Demand Draft, Cheques, Bills and Drafts, TCs etc favoring a beneficiary in Bangladesh.

Types of Foreign Currency Account:

1. Foreign Currency Account:

Bangladesh nationals residing abroad, foreign nationals residing abroad or in Bangladesh, foreign firms registered abroad and operating in Bangladesh or abroad and foreign missions and their expatriate employees in Bangladesh can open this account

2. Resident Foreign Currency Account:

Persons ordinarily resident in Bangladesh may open and maintain Resident Foreign Currency Deposit accounts with foreign exchange brought in at the time of their return from travel abroad. Applicant can deposit up to US\$5000 anytime after returning home.

3. Non Resident Foreign Currency Account:

All nonresident Bangladesh national and person of Bangladesh origin including those have dual nationality and ordinarily residing abroad may maintain interest bearing time deposit accounts named NFCD a/c.

Student File: The required documents for opening student file is

Pre visa copy, Offer letter, University's refund policy, Living cost estimate, All academic documents, IELTS certificate, Passport size photograph, Photocopy of passport, Prescribed Form of Bangladesh Bank, Application for opening student file, Voter ID, Photograph of Nominee.

My learning

As a Finance student it was a great experience to learn about the banking sector's activity more vastly. My learning experience was great through the internship and those are

- The most important learning is regarding the corporate environment as well as the corporate political affairs. To survive in the tough competition, it is necessary to understand the corporate culture of the particular organization.
- It is the etiquette to behave or adjust with the organization culture and environment to give the best performance as performance is evaluated annually.
- Apart that I found that General Banking activity of IFIC bank is on time. General people deal with this department whereas corporate people deal with the Credit and Foreign exchange department more.
- To serve the customer knowledgeable, punctual, dedicated, self-control and motivated employee are required who is able to serve any kind of people with patience and ensure service quality.
- The most important thing about Banking sector is to know the activities of own department so that in absence of any employee another employee can give the service to customer.
- Accepting own mistake and do not looking for or interfere others affair without any necessity as it creates inter-personal conflict.
- As Banking activities are related all about money, so it is compulsory to know the banking procedure, limitation and restriction as well as Bangladesh Bank's regulation policy to avoid hazard.
- Customer service needs to be fast and accurate to ensure the customer easiness of banking with IFIC.
- Maintain the proper document of all activities which is authorized by department head need to keep as the evidence of every activity.
- Lastly the proper calculation of everyday's activity and proper storage need to maintain correctly for audit purpose
- Branch Manager puts Conscious efforts to achieve the targets and knows how to motivate employees and how to represent the Bank well in the local community.

CHAPTER 03

THE REPORT PART

International Trade Payment methods

International Trade Payment method can be done in the following ways.

- **Advance payment** (most secure for seller)

Where the buyer pays with money first and waits for the seller to forward the goods

- **Documentary Credit** (more secure for seller as well as buyer)

Subject to UCP(Uniform Customs and Practice) 600, where the bank gives an undertaking on behalf of buyer and at the request of applicant to pay the beneficiary the value of the goods shipped if certain documents are submitted and if the stipulated terms and conditions are strictly complied with.

- **Direct payment** (most secure for buyer)

Where the supplier ships the goods and waits for the buyer to remit the bill proceeds, on open account terms.

- **Documentary collection** (more secure for buyer and to a certain extent to seller)

It is also called "Cash against Documents". For delivery of shipping documents against payment or acceptances of draft, where shipment happens first, then the title documents are sent to the [collecting bank] buyer's bank by seller's bank [remitting bank], for delivering documents against collection of payment/acceptance.

Letters of Credit

Letters of Credit have been a cornerstone of international trade dating back to the early 1900s. They continue to play a critical role in world trade today. For any company entering the international market, Letters of Credit are an important payment mechanism which helps eliminate certain risks.

A Letter of Credit is also commonly referred to as a Documentary Credit. A Letter of Credit is a written instrument issued by a bank at the request of its customer, the Importer (Buyer), whereby the bank promises to pay the Exporter (Beneficiary) for goods or services, provided that the Exporter presents all documents called for, exactly as predetermined in the Letter of Credit, and meet all other terms and conditions set out in the Letter of Credit.

These are documents that essentially prove that the seller has performed his duties under an underlying contract have been supplied as agreed. In return for these documents, the beneficiary receives payment from the financial institution that issued the letter of credit. The letter of credit serves essentially as a guarantee to the seller that it will be paid regardless of whether the buyer ultimately fails to pay. In this way, the risk that the buyer will fail to pay is transferred from the seller to the letter of credit's issuer. The letter of credit can also be used to ensure that all the agreed upon standards and quality of goods are met by the supplier, provided that these requirements are reflected in the documents described in the letter of credit.

Nature of Different types of L/C

Revocable Credits: A revocable credit is one which can be amended or cancelled by the issuing banker at any time without prior notice.

Irrevocable Credit: An irrevocable letter of credit contains an absolute undertaking on the part of the issuing bank to accept.

Transferable Credit: The main theme of this type of credit is transferable i.e. if the exporters cannot able to supply the goods then. They can transfer it to others.

Non-transferable Credit: These types of credit cannot be transferable.

Sight L/C: In international business this types of credit is most preferable. The main theme of this credit is the payment is properly secured.

Deferred L/C: A maturity period specified there. The payment is made on between the maturity periods.

Documents related to Letters of Credit

Usually, the documents a beneficiary has to present in order to receive payment include a commercial invoice, bill of lading, and documents proving the shipment were insured against loss or damage in transit. Typical types of documents in such contracts might include:

Substantive documents

- Draft or Bill of Exchange
- Commercial Invoice
- Bill of Lading or airway bill
- Marine Insurance Policy

Auxiliary Documents

- Packing List
- Certificate of origin
- Quality control certificate
- Inspection Certificate

The documents also can be categorized as

- **Financial Documents** – Bill of Exchange.
- **Commercial Documents** – Invoice, Packing list
- **Shipping Documents** – Transport Document, Insurance Certificate.
- **Official Documents** – License, Origin Certificate, Inspection Certificate,
- **Transport Documents** – Bill of lading
- **Insurance documents** – Insurance policy, or Certificate but not a cover note.

IMPORT L/C

Import section helps business and other people to import goods. In international environment, buyers and sellers are often unknown to each other. So seller always seek guarantee for the payment for his goods exported. Here is the role of bank. 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 contract between importer and exporter is given a legal shape by the banker by its “Letter of Credit”. When a buyer goes to import some goods from a foreign buyer, he request his bank makes payments to the exporter of goods. And the bank recovers the amount from the importer.

Advantages to the Importer

- Importer is assured that the Exporter will be paid only if all terms and conditions of the Letter of Credit have been met.
- Importer is able to negotiate more favorable trade terms with the Exporter when payment by Letter of Credit is offered.

Disadvantages to the Importer

- A Letter of Credit does not offer protection to the Importer against the Exporter shipping inferior quality goods and/or a lesser quantity of goods.
- Consequently, it is important that the Importer performs the appropriate due carefulness to assess the reputation of the Exporter. If the Exporter acts fraudulently, the only alternative available to the Importer is through legal proceedings.
- It is necessary for the Importer to have a line of credit with a bank before the bank is able to issue a Letter of Credit. The amount outstanding under each Letter of Credit issued is applied against this line of credit from the date of issuance until final payment.

Stake Holders of Import Letter of Credit

The parties to a letter of credit are usually a beneficiary who is to receive the money, the issuing bank of whom the applicant is a client, and the advising bank of whom the beneficiary is a client. Almost all letters of credit are irrevocable, specifically cannot be amended or canceled without prior agreement of the beneficiary.

Importer/Buyer/Applicant

Importer is the person who requests the opening bank to open an L/C (as asked by the Exporter/Seller). He is also called an applicant. The opening bank opens an L/C on behalf of the importer in line with the terms and conditions as specified in sales contract between the buyer and the seller.

Issuing /Opening Bank

Issuing bank is the bank which opens/issues letter of credit on behalf of the applicant. It is also called Importers/ buyers bank.

Exporter/Seller/Beneficiary

This is the party in whose favor the L/C is established. The advantage that the exporter enjoys in the L/C is the assurance of the opening Bank to honor the bill of exchange drawn according to the requirements of the L/C, any bank will usually be willing to pay him the amount against the bills because of the opening banks assurance in the L/C.

Advising/Notifying Bank

This bank is that bank through which the L/C is advised to the exporter. It is a bank situated in the exporting country and it may be a branch of the opening Bank or a correspondent bank. Sending L/C to the exporter through advising bank is advantageous for both opening bank and exporter. Advising Bank may also play the role of confirming and negotiating bank depending upon the conditions of the credit.

Confirming Bank

Confirming bank is a bank which adds its confirmation to the credit at it is done at the request of the issuing bank undertaking. The confirming bank is usually the advising bank. The confirming bank would not confirm the credit until it evaluated the country and bank where the letter of credit originates.

Negotiating Bank

Negotiating bank is the bank which negotiates the bills and pays the amount to the beneficiary. It will carefully analyze the L/C before negotiation (Send the documents to the opening Bank) in order to see whether the documents apparently are in order or not.

Legal Requirement to be an importer

Any businessman cannot do international trade. To be an importer someone have to have some legal documents. Those are –

1. Trade license.
2. Tax Identification Number (TIN) and VAT registration Certificate
3. Import Registration Certificate (IRC)

When a business can present those documents to a bank, bank will allow him to open a letters of credit for international trade. IFIC Bank Dhanmondi Branch deals with a large number of import letters of credit because of a big branch as well as its location at a commercial area.

Operational Activities of Import Section

- Officers in L/C opening desk process L/C application.
- Proposals for opening L/C being prepared by the officers.
- Obtained charge document.
- Negotiate with the import for margin. Margin is the minimum amount that importer have to pay to the importer bank for the safety purpose which is decided based on the money amount and the organization performance.
- Negotiate with the importer for fixation of terms of withdrawal of bills
- Obtained information about the market ability and gathering local price level of the commodity to be imported.

Procedure and Mechanism for L/C Opening, Issuing documentary credit

The buyer and seller conclude a sales contract providing for payment by document credit. The buyer instructs his bank – the issuing bank- to issue in favor of the seller (Beneficiary). The issuing bank ask another bank usually in the country of the seller, to advice and perhaps also to

add its confirmation of the documentary credit. The advising or conforming bank informs the seller that the credit has been issued.

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 (CCI&E).
- By paying specified registration fees to the CCI&E, the trader will get IRC/ERC (Import/Export Registration Certificate), to open L/C with bank, this IRC/ERC is mandatory for international trades.

Determination Terms of Credit

The terms of the letter of credit are 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 along with the following documents

1. Pro - forma invoice
2. Demand Promissory Note
3. Authority to debit account
4. Tax Certificate
5. Filled up amendment request Form
6. IMP(import) form
7. Insurance cover note, etc.
8. Filled up LCA form destination, nature of credit, expiry date, name and number of sets of shipping documents etc.

Opening of L/C by the Issuing Bank

- Taking filled up application form from the importer.
- Collects credit report of exporter from exporter's country through his foreign correspondence there.
- Opening bank then issues credit and notify the advising bank by SWIFT.
- The advising bank advises the credit to the beneficiary by forwarding a letter.

Shipment of Goods and Submission of Documents by

- Then exporter ships the goods to the destination of the importer country
- Sends the documents to the L/C opening bank through negotiating bank and those are
 1. Bill of Exchange
 2. Bill of Lading
 3. Commercial Invoice
 4. Packing List
 5. Certification of Origin
 6. Advice Details of Shipment
 7. Pre-shipment Inspection Certificate

Lodgment of Documents by the Opening Bank from the Negotiating Bank

After receiving the documents, the opening banker scrutinizes the documents. 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** - no problem occurs in lodgment.
- **Discrepancy found and importer not agreed to accept** - In this case, importer protest and send back all the documents to the exporter and request his to make in the specified manner. Here banker 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 willing to retire the documents** - In this case bank is obligated to pay the price of exported goods. Since importer did not pay for bill of exchange, this payment by bank is one kind of credit to the importer and this credit in banking is known as **FORCED PAD**.

- **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.

Classification of Import Letters of Credit

Basically IFIC Bank deals with two types of import L/C.

1. Foreign Import L/C
2. Local Import L/C

IFIC bank Dhanmondi Branch only deals with Foreign Import L/C.

Foreign Import L/C

In Foreign Import L/C two unfamiliar parties of different countries made an agreement to do a business on the basis of Letters of Credit. The whole procedure of foreign import L/C is described below chronologically in terms of Popular Diagnostic Centre and Hitachi Medical Systems Company.

Fill up application form by PDC

Popular Diagnostic Centre (PDC) came to IFIC Bank Dhanmondi Branch to request to open an L/C in favor of Hitachi Medical Systems Company after formal deals. To open an import L/C PDC gave an application to the Branch Manager of IFIC Bank along with the Proforma Invoice. The application was signed by the Foreign Exchange department in charge Mafruha Israt, the second manager Mohosin Uddin and the Branch Manager ABM Nurul Mamun. Afterward it was send to the Head Office for authorization. After getting the authorization PDC signed some charge document with the IFIC bank so that in case of any discrepancy bank can take legal action against PDC through those charge documents. The charge documents are

1. Letter of credit authorization form(6 copies)

- It is an application form of Bangladesh Bank (BB). At first applicant have to ask the permission of Bangladesh Bank to open an L/C through fill up and submit the form to BB. Now BB allows the applicant to submit the form within 15 days of opening

the L/C. PDC filled up the form and IFIC bank sends the application in favor of PDC after 15 days from opening L/C.

- The information is required by this form are
 - Name and address of the applicant
 - IRC number and renewal year of IRC
 - Sector of industry
 - Amount of money
 - Description of items to be import
 - Code of items
 - The sign of applicant and the issuing bank

2. Request for amendment

- The application is written headed for the Manager of IFIC bank.
- It is an advance declaration of PDC for accepting any changes in terms and condition of L/C by Hitachi Medical Systems.
- It must be sign by PDC in advance so that the Hitachi Medical Systems can change quickly in case of emergency.

3. Authority to debit account

- The application is written headed for the Manager of IFIC bank.
- By signing the application PDC give the authority to IFIC bank to debit his account in favor of Hitachi Medical Systems.
- If any discrepancy arises or the PDC claim against IFIC bank regarding money transfer, IFIC bank can take legal action through the document.

4. Declaration of importer

- Here the PDC declares that he is the importer of the said goods and the terms and conditions of the L/C are completely agreed by both of the party.
- Margin of the L/C contract is decided here by the cooperation of both parties. For example if the L/C value is 100,000 BDT and the decided margin is 30% that means PDC have to pay at least 30,000 BDT to IFIC bank for opening the L/C. It is done for the protection of bank. It also makes aware the PDC about the payment so that they cannot do any fraudulence.

5. Promissory note

- It is a promise of PDC to IFIC bank to pay the said money as per L/C contract.
- If the PDC disagrees to pay the money to the IFIC bank, bank can take legal action against PDC by the power of the promissory note.

6. Trust receipt

- In case of insufficient money PDC may need to take loan for the payment. Trust receipt is a loan document against the L/C that PDC can take to pay the Hitachi Medical Systems.
- IFIC bank take the sign of PDC in advance so that during payment time they can give the payment to the Hitachi Medical Systems without any delay.

After signing all those documents the IFIC bank file an Import Foreign L/C against PDC in favor of Hitachi Medical Systems. Hitachi Medical Systems gets the information of PDC by advising bank HSBC, India and HSBC bank get all information by SWIFT.

Documents from Hitachi Medical Systems

After receiving the information of L/C, Hitachi Medical Systems had started to prepare the goods as per L/C contract and send the goods to PDC with some documents.

1. Commercial Invoice

- Here the detail information of the imported goods are described such as
 - Name and Address of applicant and beneficiary
 - L/C number
 - Invoice number and date
 - Country of origin of goods
 - Country of final destination.
 - Terms of delivery
 - Terms of payment
 - Port of loading and discharge
 - Total description of goods (quantity, unit price, total price).

2. Packing List

- The packing details of the goods are maintained as per packing standard. The information is described here are as below
 - Name and Address of applicant and beneficiary
 - L/C number
 - Invoice number and date
 - Country of origin of goods
 - Country of final destination.
 - Terms of delivery
 - Terms of payment
 - Pre carriage
 - Port of loading and discharge
 - Number of cartoons
 - Gross weight
 - Net weight
 - Dimension of box

3. Bill of Lading or Airway Bill

- If the product is send by ship, PDC will attach the Bill of Lading.
- If the product is send by air, PDC will attach an Airway Bill.
- The information of the Airway Bill are –
 - Shipper's name and address
 - Issuing bank name and address
 - Issuing carrier's name and address.
 - Airport of departure
 - Airport of destination
 - Flight date
 - Importer name and address
 - Invoice number
 - Description of goods
 - Total weight and dimension of box.

- In case of Local Import L/C, for transportation evidence beneficiary will give Truck Challan or Delivery Receipt.

4. Certificate of origin

- To ensure the quality of goods PDC stipulate the certificate of origin by the Chamber of Commerce of the INDIA. The certificate ensures the origin of the goods. The given information of the certificate are
 - Exporter name and address
 - Issuing bank name and address
 - Pre carriage and place of receipt by pre carriage.
 - Port of departure
 - Port of destination
 - Invoice number
 - Description of goods
 - Total weight and dimension of box

5. Insurance coverage

- To avoid unpredicted circumstances Hitachi Medical Systems made an insurance contract with an insurance company in favor of PDC. During transportation either air or ship or in the time of storing accidents can arise. To send the product safely, the Hitachi Medical Systems open insurance with AIG TATA Insurance Company. The documents require to present for insurance are
 - Money receipt copy of insurance company.
 - Insurance coverage letter of insurance company (Company Stamp Pad).

PDC receive the documents

- When Hitachi Medical Systems shipped the goods, he presents all documents to the HSBC bank for payment.
- After that HSBC bank send those documents to the IFIC bank by DHL to inform that the goods are in transit.
- At that time IFIC bank inform PDC about the receiving of documents within 5 days after getting the documents in hand.
- To get the notification PDC write down an application to the Manager of IFIC bank to endorse the document on behalf of PDC.

- IFIC bank endorse all the documents by giving a endorsement seal of bank on those paper.

Payment to Hitachi Medical Systems

- When IFIC Bank approve all the document and PDC get the goods as per L/C contract, IFIC bank made the payment to the HSBC Bank by debit the PDC account. In case of the insufficient balance IFIC bank can generate a loan against L/C as per Trust Receipt.

Step-5 – Repayment of L/C loan

- As per trust receipt PDC has to pay the loan amount within 6 months at 11% interest rate.
- PDC can take 80% loan of L/C Bill amount.
- If the PDC fails or disagree to pay the money, the issuing bank can take legal action based on the trust receipt.

Export L/C

Export L/C operation is just reverse of the import L/C operation. For exporting goods by the local exporter, bank may act as advising banks and collecting bank (negotiable bank) for the exporter. In our country perspective export L/C is lesser than import L/C. As a result Bangladesh is facing deficit balance of payment due to excessive import in terms of less export.

Advising Bank/ Importer Bank

Advising Bank is the importer bank in abroad that open the L/C in favor of exporter. Exporter bank receives documents from the foreign importer and hands it over to the exporter. Sometimes it adds confirmation on the L/C on request from the Opening Bank. By adding confirmation, it assumes the responsibility to make payment to the exporter.

Negotiating Bank/ Exporter Bank

Negotiation Bank is the exporter bank who accepts or confirms L/C on behalf of exporter. It negotiates the bills and other shipping documents in favor of the exporter. It collects the payment of the export-bill from the advising bank and credits the exporter's account. Sometimes the bank purchases the bills at discount and waits till maturity of the bill. When the bill matures, bank presents it to the drawee to encash it.

Export Mechanism

Legal requirements for Exporter

- The intended exporter shall have valid Export Registration Certificate.
- Payment for goods exported from Bangladesh should be received through the branch in free convertible foreign currency
- Commission brokerage and other trade charge are allowed only up to a maximum of 5% value of goods. The charge beyond 5% may be acceptable subject to prior approved of the Bangladesh Bank.
- The branch should see that arrangement have been made for realization of export proceeds within prescribed period of 4 months.
- Arrangement has been made for received of the title of the goods like bill of lading.
- The export from is signed either by the exporter or one holding valid legal power of attorney from the exporter and the attorney may be held responsible jointly and the severally for realization for export proceeds.

Export Document Needed in IFIC Bank Ltd.

- Export Registration Certificate (ERC)
- Membership of an authorized trade Association.
- Credit Report.
- Export Certification
- Pre-Shipment for Export
- Submission of Export documents
- Checking
- Preparation of offering sheets for Registration Collection

Advantages to the Exporter

- The risk of payment relies upon the creditworthiness of the Issuing Bank and the political risk of the Issuing Bank's domicile, and not the creditworthiness of the Importer.
- Exporter agrees in advance to all requirements for payment under the Letter of Credit. If the Letter of Credit is not issued as agreed, the Exporter is not obligated to ship against it.

- Exporter can further reduce foreign political and bank credit risk by requesting confirmation of the Letter of Credit by a Canadian bank.

Disadvantages to the Exporter

- Documents must be prepared and presented in strict compliance with the requirements stipulated in the Letter of Credit.
- Some Importers may not be able to open Letters of Credit due to the lack of credit facilities with their bank which consequently inhibits export growth.

Classification of Export L/C

IFIC Bank Dhanmondi Branch deals with two types of export L/C.

1. Local Export L/C
2. Foreign Export L/C

Local Export L/C

If the beneficiary and the applicant both operate their business within a country boundary and do internal trading by opening an Letters of Credit, will be called as Local Export L/C. In case of local export L/C, the related document and the negotiation process are described on the basis of Poly Plastic (PP) and S. M. Knit Wears Ltd (SMKW).

Poly Plastic is advised by IFIC Bank

- After formal contract and proper negotiation of Proforma Invoice with S. M. Knit Wears, PP waits for the opening of L/C by the SMKW.
- When IFIC Bank gets the information of issuance of L/C against PP they accept the L/C by SWIFT and advice Poly Plastic by forwarding a letter regarding advising.
- The advising and quoting charge is BDT 750/-.

Poly Plastic request to open an L/C

- Later than PP present an application to IFIC Bank to open an Export L/C in favor of SMKW.
- The application is written in the stamp pad of PP with authorized Managers Signature.

Sign of legal document for opening L/C

- When PP presented the application it was accepted by the Branch Manager by giving a Bank seal on the application.
- After acceptance it is time to sign the legal documents to open the L/C. And the documents are

Document of Promissory Note or DP note

- Base on the nature of applicant business, applicant will sign the promissory note among Single, Jointly and Severally Promissory Note.
- PP is a sole Proprietorship Business, PP will sign Single Promissory note.
- By signing the DP note PP singly promise to pay the money as per PI to the IFIC Bank.
- If the PP disagrees to pay the money to the IFIC bank, bank can take legal action against PP by the power of the promissory note.

Trust Receipt

- In case of insufficient money PP may need to take loan for the payment. Trust receipt is a loan document against the L/C that PP can take to pay the SMKW.
- IFIC bank take the sign of PP in advance so that during payment time they can give the payment to the SMKW without any delay.

Letter of arrangement of bill purchase

- To take the money in advance before SMKW payment PP can demand to the IFIC Bank for purchasing the bill at discount rate to facilitate PP.
- By signing this letter PP request IFIC Bank to purchase the bill
- Here the purchase price and discount rate is specified which is determine by the negotiation between PP and IFIC bank.

LC proposal

- After the completion of document signing IFIC bank send the L/C proposal to the Head Office for approval.

- The mentioned information in the proposal are
 - Applicant Name and Address
 - Nature of applicant business
 - Date of account opening
 - Particular of proprietorship
 - Detail of proposed L/C
 - CIB report
 - Comments or recommendation
- After the approval of IFIC bank forward the L/C to the DBBL to notify SMKW about the back to back L/C.
- Then Head Office Poly Plastic starts to manufacture the goods as per Proforma Invoice.

Export Bill Presentation Schedule

- When goods are ready to send, Poly Plastic organizes all the documents required by SMKW as per Proforma Invoice.
- Poly Plastic write down an application to IFIC bank to forward the following documents for early acceptance and credit their account.
- The documents are
 - 1st bill of exchange
 - 2nd bill of exchange
 - Commercial invoice
 - Packing list
 - Delivery Challan
 - Truck receipt
 - Inspection

By submitting those legal papers to the IFIC Bank Dhanmondi Branch, Poly Plastic concludes his responsibility of exporting. Now it is the time to get the payment from S. M. Knit Wears Ltd. as per invoice.

Foreign Export L/C

If the beneficiary and the applicant both operate their business outside the same boundary and do international trading by opening an Letters of Credit, will be called as Foreign Export L/C. In case of foreign export L/C the related document and the negotiation process are described on the basis of Towel Tex Ltd (TT) and Gladiator Ltd (GL).

Towel Tex is advised by IFIC Bank

- After formal contract and proper negotiation of Proforma Invoice with GL, TT waits for the opening of L/C by the Gladiator Ltd.
- When IFIC Bank gets the information of issuance of L/C against TT they accept the L/C by SWIFT and advice them by forwarding a letter regarding advising.

Poly Plastic request to open an L/C

- Later than TT present an application to IFIC Bank to open an Export L/C in favor of GL.
- The application is written in the stamp pad of TT with authorized Managers Signature.

Sign of legal document for opening L/C

- When TT presented the application it was accepted by the Branch Manager by giving a Bank seal on the application.
- After acceptance it is time to sign the legal documents to open the L/C. And the documents are

Document of Promissory Note or DP note

- Base on the nature of applicant business, applicant will sign the promissory note among Single, Jointly and Severally Promissory Note.
- PP is a sole Proprietorship Business, PP will sign Single Promissory note.
- By signing the DP note PP singly promise to pay the money as per PI to the IFIC Bank.
- If the PP disagrees to pay the money to the IFIC bank, bank can take legal action against PP by the power of the promissory note.

Authority of debit account

- Here Towel Tex gives the authority to debit his account to release the commission charge, SWIFT charge and other charges.
- IFIC bank take the permission in advance so that they can operate the L/C process properly without any misunderstanding.

Trust Receipt

- In case of insufficient money PP may need to take loan for the payment. Trust receipt is a loan document against the L/C that PP can take to pay the SMKW.
- IFIC bank take the sign of PP in advance so that during payment time they can give the payment to the SMKW without any delay.

Letter of arrangement of bill purchase

- To take the money in advance before SMKW payment PP can demand to the IFIC Bank for purchasing the bill at discount rate to facilitate PP.
- By signing this letter PP request IFIC Bank to purchase the bill
- Here the purchase price and discount rate is specified which is determine by the negotiation between PP and IFIC bank.

LC proposal

- After the completion of document signing IFIC bank send the L/C proposal to the Head Office for approval.
- The mentioned information in the proposal are
 - Applicant Name and Address
 - Nature of applicant business
 - Date of account opening
 - Particular of proprietorship
 - Detail of proposed L/C
 - CIB report
 - Comments or recommendation

- After the approval of IFIC bank forward the L/C to the DBBL to notify SMKW about the back to back L/C.
- Then Head Office Poly Plastic starts to manufacture the goods as per Proforma Invoice.

Export Bill Presentation Schedule

- When goods are ready to send, Poly Plastic organizes all the documents required by SMKW as per Proforma Invoice.
- Poly Plastic write down an application to IFIC bank to forward the following documents for early acceptance and credit their account.
- The documents are
 - Bill of exchange
 - Commercial invoice
 - Packing list
 - EXP Form
 - Bill of Lading
 - Bill of Exchange

By submitting those legal papers to the IFIC Bank Dhanmondi Branch, Towel Tex concludes his responsibility of exporting. Now it is the time to get the payment from Gladiator Ltd. as per invoice.

Payment of L/C

- IFIC made an application to HSBC Bank (Beneficiary Bank) for payment after the maturity of L/C.
- In the application they mentioned the L/C no, Name of Exporter, Bill amount and Maturity date.

Application of issuing Proceeds Realization Certificate (PRC)

- When HSBC gives the payment to IFIC bank, Towel Tex applies for PRC to get cash incentive.

- To increase the export of Bangladesh Government gives some subsidy in specific sector. Garments sector enjoy the Cash Incentive facility. In case of Leather Duty Draw Back Facility is given.
- Based on the application of Towel Tex IFIC issue a PRC form.

Findings

During my Three months internship in the IFIC Bank Ltd, Dhanmondi Branch, Dhaka following points are found from my observation:

- For customer's convenience in Foreign Exchange Department of IFIC Bank Ltd. should provide more personnel to deliver faster services to their honorable customer.
- IFIC Bank Ltd. should train up their branch personnel about all sort of information regarding SWIFT and its service.
- The employee of foreign exchange department should provide some motivational incentive or training to work friendly as I found them unfriendly.
- The proper documentation of each L/C should be made for audit purpose as there are two audits in a year.
- At the 10th of each month the foreign exchange department sends their monthly report to the Head Office and Bangladesh Bank. So the employees remain very busy at that time for preparing those reports.
- The employees of this department need to be able to operate computer properly for maintaining the working flow with others.

Recommendations

- The authority should recruit more employees to serve the customers in cash section. They can recruit experienced employee as well as fresh graduate.
- In order to get competitive advantage and to deliver quality service, top management should try to modify the services.
- IFIC Bank Ltd. should focus on their promotional activities.
- They should also focus on the marketing aspects to let customers know about their products and offerings and more promotion should be given to attract new customer.
- Multipurpose new schemes should be introduced to attract the clients and to enhance the deposit.
- Account opening process should be made easy to attract the customer.
- Bank should regularly review and update the present marketing strategy.
- The working condition should be improved. Employees must be provided with adequate working equipment in order to provide better customer service.
- IFIC Bank Ltd. should recruit experienced personnel from other banks and financial institutions in order to provide better and efficient banking services and ensuring growth.
- New branches should be opened in the economically promising area.
- Bankers Customer relation should be closer and regular communication with the customer should be maintained.

Conclusion

From the learning and experience point of view I can say that I really enjoyed my internship period in IFIC Bank Ltd. at Dhanmondi Branch. From the very first day, I was confident that this 3 three months internship program will definitely help me to realize my further carrier in the job market.

Top management of IFIC Bank Ltd. should conduct a comprehensive study or survey on the branches' performance, its management's performance and the employees' performance and their motivation as well. Few loyal committed customer bases, lack of modern and effective technology or facilities, not enough skilled employee in some sector, considering all of these very important factors. IFIC Bank Ltd. should always try to improve their service level in every term. Performance analysis of a bank is not so sufficient to measure and express perfectly within this short time of my internship period. But it was a great opportunity for me to get used to with the operational environment of commercial banking of IFIC Bank Ltd. I have tried by soul to incorporate the necessary relevant information in my report.

The Foreign Exchange department should think freshly about their objectives and practices. Rapid changes can quickly make yesterday's wining strategies out of date. As a developing private bank in Bangladesh, IFIC Bank Ltd. shouldn't allow their client to get dissatisfied with their service. They have their competitors who actively striving to take the advantages in every side. Bangladesh is a developing country. The Banking Industry is playing an important role to achieve its economic goals. There are vast Banking opportunity in our country as it is Exporting and importing country. MICR Cheque Book issue is a good initiative taken By Bangladesh Bank. By which Business man can solve their transaction rapidly through (ACU) Automated Clearing House. Already most of the Banks started to issue MICR cheque Book. IFIC Bank Ltd. is one of them. For this reasons it has started online Banking in its all Branches. By it they are going to fulfill its motto "Your Satisfaction First".

References

1. www.IFIC.com.bd
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