



BRAC University

Internship Report on “Foreign Exchange Operation of a Commercial Bank of Bangladesh: A Case of The Premier Bank Ltd.”

Submitted To

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Letter of Transmittal

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To
Mr. Shouvonic Datta
Lecturer
B.B.S Department
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Subject: Submission of Internship Report.

Dear Sir,

It gives me enormous pleasure to submit the internship report on “**Foreign Exchange Operation of a Commercial Bank of Bangladesh: A Case of The Premier Bank Ltd, Kawran Bazar Branch**” as per instruction. I expect this report to be informative as well as comprehensive.

While conducting the report, I have gathered lots of knowledge about banking system and many unknown facts, problems and prospects of foreign exchange activities of different banks like Trust Bank, Prime Bank, Eastern Bank, Dhaka Bank etc. This internship program and preparation of report has given me the opportunity to acquaint myself with a reputed bank. 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 this report.

Acknowledgement

First of all I would like to pay my sincere gratitude to the almighty Allah for keeping me in sound mind and health during the work and giving me the ability to work hard successfully.

With profound regard I gratefully acknowledge my respected supervisor Mr. Shouvonik Datta, Lecturer of B.B.S Department of BRAC University for his constant assistance and knowledgeable guidelines to carrying out the internship and preparation of the report. Without his enthusiastic guidance and critical comments during the entire phase of the writing, it would not be possible for me to prepare this.

I would like to tender my heartiest gratitude to Mr. Mahboob Alam Choudhury (Executive Vice President & Manager), Mrs. Khadiza Begum (Assistance Vice President), Mr. Chapal Barua (Executive Officer) and Mr. Shahriar Rajib (Senior Officer).They helped me with the very best opportunity as much as possible. Without their sincere cooperation the completion of internship would be nightmare.

Next I want to express special thanks to all the employees of The Premier Bank Ltd, Kawran Bazar Br.

In the end, I express my overall gratitude to my department to providing me such a scope.

Declaration

I hereby declare that, the dissertation report “Foreign Exchange Operation of a Commercial Bank of Bangladesh: A Case Of The Premier Bank Ltd, Kawran Bazar Branch” submitted in partial fulfillment of the requirements of the degree of Masters of Business Administration to BRAC University. It is my original work and it has not been submitted elsewhere for the award of any other degree or other similar title or prize.

Executive Summary

Importance of banking system in a country is increasing day by day. It is quite impossible for any country to develop in industrial and commercial sector without sound banking system in modern economic era.

Foreign exchange operation is one of the significant functions of the bank. It plays a vital role in overall economy of the country. Bank collects information from numerous sources relating to cost and revenue from foreign exchange operation. Through export, import, and foreign remittances Foreign Exchange department of the banks earns their profit. Banks is the intermediary of all export, import, and remittance activities.

Globalization of national economies has given a boost to international trade. The seller and the buyer in an international trading transaction must agree for a product or its quality, price etc. enter into a sales contract, spelling out precisely shipping and delivery details, terms of payment, required documentation and other related issues including dispute settlement procedure and legal framework available.

The impact on trade transactions currency policies of the importing and exporting countries and risks associated with them, fraud possibilities in the transaction or in documents are also necessary. A country cannot long continue to have a deficit on foreign current account but a favorable balance of payments on current account may conceal a heavy adverse balance of payments with one individual country or group of countries.

Foreign Exchange Market allows currencies to be exchanged to facilitate international trade and financial transactions. After passing a lot of phases, present foreign exchange market has established and performing to benefit all the parties incorporated here. There are basically three players in the foreign exchange market of Bangladesh. Those are the Bangladesh Bank, authorized dealers, and customers. This paper discussed regarding the related issues of foreign exchange activities of The Premier Bank Ltd.

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Chapter 1

Introduction

Economy of Bangladesh is still surviving to get rid from the world's most underdeveloped economies. One of the reasons may be its underdeveloped banking system. Since 1990, Bangladesh government has taken a lot of financial sector reforming measures for making financial sector as well as banking sector more sound and transparent, a formulation and implementation of this reform activities have also been participated by different international organization like World Bank, IMF etc.

People in a global world are trying to spread out their resources over the world. As one country is not self- sufficient, they need to think more to meet their demands. Though Bangladesh is an underdevelopment country, natural resources and labor are very cheaper than some of other countries. So, local and foreign investors are very interested to make a profitable investment in our economy.

Banks always works as agent of people. Bankers or Bank was defined as a person who carried on business of receiving money, collecting of drafts, honoring cheque drawn upon it.

The commercial banking activities of the bank encompass a wide range of services including accepting deposits, making loans, discounting bills, conducting money transfer and foreign exchange transactions, and performing other related services such as safe keeping, collections and issuing guarantees, acceptances and letter of credit.

With its firm commitment to the economic development of the country, the Bank has already made a distinct mark in the realm of Private Sector Banking through personalized service, innovative practices, dynamic approach and efficient management. The Bank, aiming to play a leading role in the economic activities of the country, is firmly engaged in the development of trade, commerce and industry thorough a creative credit policy.

1.1 Origin of the report:

This report is the outcome of the 3 months long internship program undertaken with Premier Bank Ltd. The preparation and submission of this report is a fundamental requirement for the fulfillment of the Masters of Business Administration (MBA) course curriculum of BRAC University

1.2 Background of the Study:

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

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

1.3 Objectives:

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

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

1.4 Methodology:

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

1.5 Data collection:

Sources of data are as follow:

- Face to Face conversation with the respective officers and staffs
- Annual Report of the Premier Bank Ltd.
- Audit Reports
- Relevant file study provided by the officers concerned.
- Website
- Relevant books, Research papers, newspapers.

Analytical Tools Used:

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

1.6 Scope:

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

1.7 Limitations the study:

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

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

Chapter 2

Foreign Exchange: A theoretical Framework

2.1 Foreign Exchange

By Foreign Exchange we mean foreign currencies or, more commonly, claims to foreign money balances. It includes all monetary instruments which give residents of one country a financial claim on another country. The use of foreign exchange is a country's principal means of settling its transactions with other countries. (T.T. Sethi, 2010)

In the broader sense, the foreign exchange is related to the mechanism of foreign payments. It refers to the system whereby one currency is exchanged for or converted into another Foreign exchange also refers to the global market where currencies are traded virtually around-the-clock. The term foreign exchange is usually abbreviated as "forex" and occasionally as "FX."

According to Encyclopedia Britannica. "Foreign exchange is the system by which commercial nations discharge their debts to each other." In the words of Hartly Wethers, "Foreign exchange is the art and science of international monetary exchange."

2.2 The History of Foreign Exchange

The Forex trading history started in 1875 with the birth of the gold standard monetary. Prior to 1875, countries primarily used gold and silver as a form of international payment. Payment using gold and silver were hampered by their devaluation according to external factors such as an increase in the discovery of new deposits, which would lead to a change in supply and demand. This factor would change the Forex trading history forever.

The aim of the implementation of the gold standard was to guarantee any currency, to set amount of gold. Currency was now backed by gold, measured in ounces. Countries needed large gold reserves to back the demand for currency. The price difference of an ounce of gold between two different currencies now became the foreign exchange rate for those two currencies. This History of Forex was changed by the birth of an international standard by which foreign exchange could take place between countries. The gold standard monetary broke down during the start of the First World War Political turmoil with Germany forced the larger European powers to focus on military projects. This financial drain on Europe gave way to a lack of gold to back the excess printing of currency and would determine a new change in the FX trading history.

The abolishment of the gold standard monetary system left a void in the method of foreign exchange, and changed the path of Forex history. This matter was a concern to the Allied countries and a convention were held at Bretton Woods, New Hampshire, in July 1944, to solve this problem. This convention led to the inception of the Bretton Woods monetary system.

This new Bretton Woods monetary system defined the new Forex market history:

- A new method of obtaining a fixed foreign exchange rate.
- The gold standard to be replaced with the US Dollar as the ultimate exchange currency.
- The US Dollar to be the only currency backed by gold.
- The inception of three international authorities to guard over all foreign transactions.

The Bretton Woods monetary system only lasted about 25 years and failed primarily on the basis of making the US Dollar the only currency to be backed by gold. The U.S announced the end of the exchange of gold for US Dollars by foreign banks on 15 August 1971

2.3 Foreign Exchange Market:

The **foreign exchange market (Forex, FX, or currency market)** is a form of exchange for the global decentralized trading of international currencies. Financial centers around the world function as anchors of trading between a wide range of different types of buyers and sellers around the clock, with the exception of weekends. EBS and Reuters' dealing 3000 are two main interbank FX trading platforms. The foreign exchange market determines the relative values of different currencies.

The foreign exchange market assists international trade and investment by enabling currency conversion. For example, it permits a business in the United States to import goods from the European Union member states especially Euro zone members and pay Euros, even though its income is in United States dollars. It also supports direct speculation in the value of currencies, and the carry trade, speculation based on the interest rate differential between two currencies

In a typical foreign exchange transaction, a party purchases some quantity of one currency by paying some quantity of another currency. The modern foreign exchange market began forming during the 1970s after three decades of government restrictions on foreign exchange transactions (the Bretton Woods system of monetary management established the rules for commercial and financial relations among the world's major industrial states after World War II), when countries gradually switched to floating exchange rates from the previous exchange rate regime, which remained fixed as per the Bretton Woods system.

The foreign exchange market is unique because of the following characteristics:

- Its huge trading volume representing the largest asset class in the world leading to high liquidity
- Its geographical dispersion
- Its continuous operation: 24 hours a day except weekends, i.e., trading from 20:15 GMT on Sunday until 22:00 GMT Friday
- The variety of factors that affect exchange rates

- The low margins of relative profit compared with other markets of fixed income and
- The use of leverage to enhance profit and loss margins and with respect to account size.

2.4 Foreign Exchange Rates

A country's demand for foreign exchange and the supply of foreign exchange available to it provide a convenient basis for the determination of foreign exchange rate.

There are as many exchange rates as there are currencies traded. At any given moment it may be regarded as the price of one currency in terms of another. It is more enlightening, however to look upon the exchange rate as the price not of foreign money but of documents representing claims to foreign money. There is, thus, a cluster of rates in the exchange market and not one rate between any two currencies. Each rate shows some slight variation from the other rate.

Spot Rate and Forward Rate:

The spot rate of exchange is quoted for the immediate delivery of foreign exchange. It is distinguished from the forward rate which is quoted for the delivery of foreign exchange at a future date. The spot rate refers to the rate or quotation prevailing at a particular time, the foreign exchange required being made available on spot. The forward rate, on the other hand, refers to the rate at which a future contract for foreign currency to buy or to sell is made on the basis of the spot rates.

Buying rates and selling rates:

Under the exchange control system, when the government or the central bank of the country hold full control over the purchase and sale of foreign exchange, two different rates may be fixed for buying and selling foreign currencies.

Single rate and multiple rates:

Ordinarily, the government of a country adopts a single rate vis-à-vis the currency of another country. But in certain circumstances it may adopt more than one rate- two or even three rates vis-à-vis another currency. This is known as the system of multiple exchange rates. There may be one rate for exports, one rate for imports and still another for capital transactions.

Fixed, Flexible and Floating rates:

Fixed exchange rate refers to that rate which is fixed in terms of gold or is pegged to another currency which has a fixed value in terms of gold. Flexible exchange rate involves keeping the exchange rate fixed over short periods but allowing it to change from time to time according to the changed conditions of demand for and the supply of foreign exchange. Floating exchange rate is that which finds the natural price of the currency in accordance with the demand and supply conditions in relation to a foreign currency.

2.5 Participants of the Foreign Exchange markets

Retail customers

They are importers/exporters of goods; services and financial assets (stocks/bonds). They are most numerous. They buy and sell FE for transaction purposes. These do not usually trade currencies one another because it is difficult to match double coincidence of wants. Instead they go to a commercial bank for the transactions.

Foreign Exchange dealers

(I) FE Dealers are large commercial banks, which buy and sell FE. Specifically, they are the international departments of large commercial banks in the financial centers of the world: London, New York, Tokyo, Zurich, Frankfurt, Paris, Singapore, Hong Kong, and Toronto.

(ii) Large banks outside the center also participate through their affiliates.

(iii) Small regional banks do not directly participate in the FE market. But to meet their customers' FE need, they deal with correspondent banks. Almost 14,000 commercial banks maintain correspondent relationship with FE dealers.

(iv) FE dealers typically maintain a trading room equipped with telephones and telex machines. They usually communicate directly with the trading rooms of banks in other centers. They go through a broker when dealing with other banks in the same center. They are exposed to FE risks.

FE Brokers

These are wholesale dealers between FE dealers. FE dealers may develop shortage/surplus. Then they go to brokers. Brokers do not take open positions in the FE market. There are 8 brokers in New York, and less than 100 in the U.S. They usually specialize in a few currencies, and earn commission = $\frac{1}{10}$ of 1% - $\frac{1}{8}$ of 1%.

Central Banks

(i) Central banks participate (a) to facilitate Treasury's transactions, and (b) to prevent or effect a change in the value of their currency.

(ii) In the US, Federal Reserve Bank of NY act as agent for the entire Federal Reserve System and the Treasury Department.

(iii) It usually tries to conceal its intervention. It may require an obscure bank in Midwest to place an order in the New York market.

(iv) Sometimes it publicizes its buying intent.

Speculators

Numerous, but they participate through FE dealers.

2.6 Attributes of Banks That Provide Foreign Exchange

The following characteristics of banks are important to customers in need of foreign exchange:

- 1. Competitiveness of quote:** A savings of 1¢ per unit on an order of one million units of currency is worth \$10,000.
- 2. Special relationship with the bank:** The bank may offer cash management services or be willing to make a special effort to obtain even hard-to-find foreign currencies for the corporation.
- 3. Speed of execution:** Banks may vary in the efficiency with which they handle an order. A corporation needing the currency will prefer a bank that conducts the transaction promptly and handles any paperwork properly.
- 4. Advice about current market conditions:** Some banks may provide assessments of foreign economies and relevant activities in the international financial environment that relate to corporate customers.
- 5. Forecasting advice:** Some banks may provide forecasts of the future state of foreign economies and the future value of exchange rates. This list suggests that a corporation needing a foreign currency should not automatically choose a bank that will sell that currency at the lowest price. Most corporations that often need foreign currencies develop a close relationship with at least one major bank in case they ever need favors from a bank.

Chapter 3

Profile of the Premier Bank Ltd

3.1 Corporate Information of the Premier Bank Limited:

The Premier Bank Limited is incorporated in Bangladesh as banking company on June 10, 1999 under Companies Act. 1994. Bangladesh Bank, the central bank of Bangladesh, Issued banking license on June 17, 1999 under Banking Companies Act. 1991. The authorized capital of the bank was TK. 1,000,000,000 (1000 M) divided into 10,000,000 (10 M) shares of TK. 100/- each. The Bank commenced its operation on 26th December, 1999. The Head Office of the Premier Bank Limited is located at Banani, one of the fast of Dhaka city.

The Premier Bank Limited is successful indeed in handling the risk properly through proper allocation and usage of fund. Banker must constantly attempt to assess the difference between the original capital and capital adequacy. The diversity of transactions among money market and capital market participants continuously influence bank deposits. It is mentionable that some years ago the amount in current deposit was greater than that of term deposits. But with the passage of time, now- a-days, term deposits are contributing more to the volume of bank deposits not only in Bangladesh but also in the whole world.

Capital: Authorized capital BDT 6000.00 Million, and Paid up Capital BDT 2232.30 Million.

Registered Name of Company: The Premier Bank Limited

Legal Form: A scheduled Commercial Bank incorporated on June 10, 1999 as Public Limited Company under companies act, 1994 and Bank companies act, 1991.

Registered Office: Iqbal Centre (4th Floor), 42 Kamal Ataturk Avenue Banani, Dhaka-1213, Bangladesh. Tel: 9887581-4, Fax: 8815393, 9889153.

Incorporation Certificate: C-37922 (2222)/00, dated June 10, 1999

Commencement of Business Certificate: Ref. no. 16370, dated June 17, 1999

Bangladesh Bank Approval Certificate: BRPD (P) 744 (72)/99-1638, dated June 17, 1999

VAT Registration: 5101027082, dated July 31, 2000

TIN Certificate: 140-201-0820, LTU, Dhaka, dated October 17, 2000

Auditors: HodaVasi Chowdhuri & Co. Chartered Accountants Ispahani Bhaban (3rd Floor) 14-15 Motijheel C/A, Dhaka- 1000.

Corporate Website: www.premierbankltd.com

Legal Advisor: M/S Rokanuddin Mahmud & Associates, Walsow Tower 21-23 KaziNazrul Islam Avenue, Dhaka.

3.2 Vision of the Bank:

The Bank has clear vision towards its ultimate destiny- to be amongst the top financial institution.

3.3 Missions of the Bank:

- To be the most caring and customer friendly services, creating opportunities for more people in more places.
- To ensure stability and sound growth whilst enhancing the value of shareholders investments.
- To aggressively adopt technology at all levels of operations to improve efficiency and reduce cost per transaction.
- To ensure a high level of transparency and ethical standards in all business transacted by the Bank.
- To provide congenial atmosphere which will attract competent work force who will be proud and eager to work for the Bank.
- To be socially responsible and strive to uplift the quality of life by making effective contribution to national development.

3.4 Objectives of the Premier Bank Ltd.:

Banks collect deposits mainly from the clients in order to accumulate their invested funds. Besides, collection of deposits has other objectives such as the following:

- 1. Collection of Bank Fund:** When we say “commercial bank”, the image of deposit collection loan sanction comes into our mind. Bank collects interest from the loans sanctioned. To raise the extent of such income, bank has to attract deposits as much as it can. Actually, bank collects deposits with the intention of providing the same as loans.
- 2. Ensure Productive Investment of the Scattered Savings of the Clients:** More or less large number of person in the society has some surplus savings. Banks collect these scattered savings as deposits and invest those in the productive fields to facilitate the economic development of the country. Thus, the small deposits of people, which may be utilized in the day to day activities, are turned into the profitable investments with the help of bank.
- 3. Extending the Scope of Loan:** Banks extend loan by collecting deposits. Sometimes, banks offer loans to the depositors in various multiplications i.e. double or quadruple of their deposited money. Thus many depositors deposit more of their money with the intention of getting loan facilities, which eventually increase the scope of the bank loan.
- 4. Fulfilling the Excess Need for Money:** Banks provide overdraft facilities, which means the opportunity of withdrawing more amounts than deposited. Usually, business persons can avail of this opportunity to be offered by the banks from the deposits mobilized.

5. Maintaining Social Responsibility: On behalf of the clients and institutions, banks perform various service-oriented activities i.e. discounting of bills, payment of insurance premium, payment of electricity bills, Etc. To avail of these services, people often keep deposits in the banks. So mobilization of deposits helps banks render some social deposits in the banks. So mobilization of deposits helps banks render some social responsibility.

3.5 Products and Services of the Premier Bank Ltd:

As the Premier Bank Ltd. Plays the key roles in the economy, it is important to know the performance of banks in their operational areas. Deposit product come from sources of fund of the bank. The Premier Bank Ltd. gets profit by investing their collected funds. Depositors provide major part of bank fund as such banks must invest reasonable efforts to attract money of the depositors. The bank also can collect fund from different other sources. On the other hand providing loan is the largest head to use the funds of the commercial bank.

The products and services of the Premier Bank Ltd are given below:

Deposit Products of the Premier Bank Ltd:

The goal of the Premier Bank Ltd. is to be the most caring and customer-friendly provider of financial services creating opportunities for more people in more places. A brief sketch of some of their products & services are given below:

Savings Account (SB):

Savings deposits are interest-bearing deposits without specific maturity. This account has no fixed maturity; and individuals keep track of their balance through passbooks or periodic bank statement. Withdrawals can be made through issuing check and there is certain withdrawals limit. They offer competitive interest rate (6.00% P.A) on their Savings Account

Current Account (CD):

The Premier Bank Limited bank's Current Account is probably the most useful Bank Account they will ever have for daily transaction. It is a non-interest bearing check account. It will save client the hassle of carrying around cash every month.

Special Notice Deposit Account (SND):

Any individuals or corporate bodies can open Special Notice deposit Account for short time period. However, 7 days notice is required to withdraw money from this account with attractive interest.

Premier 50+ Account:

If clients are above fifty years of age, they will appreciate the Premier Bank Ltd. unique Premier 50+ Account with a number of extra benefits such as higher rate of interest (5.75% P.A) on daily

closing balance, priority service and no service charge. The Account is exclusively developed for the senior citizens of the country.

Genius Account:

Genius Account offers client highest profit on daily closing balance (7.00% P.A), Discount on VISA Debit Card and other attractive facilities.

Foreign Currency (FC) Account:

Foreign Currency Account can be opened at any of **Premier Bank** authorized dealer (AD) Branches. Bank offer number of foreign currency accounts such as Resident Foreign Currency Deposit (RFCD) and Non Resident Foreign Currency Deposit (NFCD) Accounts.

Fixed Deposit (FDR):

Premier Bank Fixed Deposit (FDR) is meant for those investors who want to deposit a lump sum of money for a fixed time period; say for a minimum period of 30 days to 1 year and above, thereby earning a higher rate of interest in return.

Monthly Income Scheme:

Client's savings are precious! Let client's investment generate a regular monthly income for client. Deposit a certain amount at the opening and earn monthly profit till the tenure completes. Client will get back principal amount on maturity. Under such scheme, depositors need to keep a large amount at a time for a fixed period (5 years). After depositing the money, the depositor will continue to receive the specific profit in each month till the maturity. At the end of the maturity, the depositor will receive the principal amount.

Monthly Savings Scheme:

Depositors keep a specific amount (TK. 500 or its multiple) in each month for specific maturity (3 or 5 years). At the end of the maturity, the deposited amount, along with the profit, is returned to the depositor. If the depositor cannot continue up to the full maturity, the amount deposited over the period will be returned with less than stated rate of profit.

Double Benefit Scheme:

Under this scheme, any deposit becomes double after 6 years and 5 Months. It accepts deposit in multiples of Tk. 10,000. The instrument is not transferable and renewable. Loan facility may be allowed up to 80% of deposit against lien/pledge on such instrument at bank's prescribed rates.

Education Savings Scheme:

Do not compromise with the future of client's children. This scheme has been designed to secure future educational expenses of client's children.

Loan Products of The Premier Bank Ltd.

Personal Loan: This is any purpose loan for you. It could be anything from buying household appliances to emergency medical needs.

Consumer Credit Scheme: They have introduced Consumer Credit Scheme to extend credit facility to limited and fixed income group to improve their standard of living.

Housing Loan: Realizing the importance of having one's own place to live, they have introduced Housing Loan at a competitive.

Doctor's Loan: This loan is designed to financially assist registered Doctor's & Medical Practitioners for availing up to 100% finance for Medical Equipment, Motor Car, and Ambulance Etc.

SME & Women Entrepreneur's Finance: The development of Small and Medium Enterprises (SME) as well as Women Entrepreneurs would be the key element in this regard. Recognizing this, they have strongly started to provide financial solutions for both SME and Women entrepreneurs.

Lease Finance: They offer Finance to facilitate clients funding requirements for the procurement of assets in order to grow clients business without out-flowing own fund. Thus the leasing helps to build up clients raising capacity.

Rural Credit Scheme: The Premier Bank Ltd. is determined to extend credit facilities to the people at village level. It is a short term loan for maximum one year targeted to the lower income group of the rural area.

Student Credit Program: This is a credit scheme which is being first of its kind whereby the meritorious students in the country shall enjoy credit facility in each month to defray educational expenses.

VISA Credit & Master Card: Their VISA International Credit Card is accepted globally and Local Card is accepted at more than 3500 outlets across the country. You will get free credit facility up to 45 days without any interest. They have also recently introduced Master Card both local and international. Clients can also avail Platform convenience.

Premier TC: Premier Travel card is a prepaid foreign currency card denominated in US dollar available over the counter of the branches that makes clients foreign trip totally hassle-free and convenient.

They also offer other financing solutions under Agriculture Finance, Project Finance, Working Capital Finance, Export Finance, Trade Finance, and Syndication & Term Loan.

Customer Services of The Premier Bank Ltd.

Service such significant component for bank which makes a bridge within bank and customer. There must have a deep relationship between a bank and a customer, and it can be possible by service.

Islamic Banking Services:

They offer Islamic banking services under the principle of Shariah. Any one can get Islamic banking services from their two branches at Mohakhali, Dhaka and Laldighipar, Sylhet or from other branches of the Bank through “Islamic Banking Help Desk” as exist at every conventional Branch.

Online Banking:

Their Real Time Online Banking Services gives you convenience of any branch banking facility. You can easily carry transaction of your account from any of their branches. All of their branches have online banking facility.

Brokerage House:

In order to enhance involvement of investors in the capital market, The Premier Bank Ltd has inaugurated it modernly equipped full facilitated Brokerage House on 12th floor of Head Office at Iqbal Centre, Banani. Moreover, they have recently opened another Brokerage House at Motijhil Commercial Area. They are also opening branches to different locations very soon.

Premier Travel Card:

“Premier TC” is a pre-paid foreign currency Travel Card denominated in US dollar available over the counter of the branches that makes your foreign trip totally hassle free and convenient. TC is free of any charges.

Remittance Service:

Their Remittance Payment is very safe, simple and fast. The Bank has signed a good number of long term deals with a group of they’11- connected remittance partners across the globe such as Money Gram, Dolex, Xpress Money Services and Western Union etc. They have developed their own remittance distribution software “DRUTI”.

SME Service Center:

In order to facilitate the investors of Small and Medium Enterprise, the Premier Bank Ltd. Has opened several SME Service Centers at different locations.

Evening Banking Service:

A unique service of the Premier Bank Ltd. for receiving cash and documents beyond transaction hour is till 8 o'clock in the evening. The service is available at selective branches of their bank.

Premier Debit Card & ATM Service:

They are offering Premier VISA Debit Card Services as well as own Automated Teller Machine (ATM) facility to electronically debit money from your account. In addition to their own ATM Booth, clients can also use Premier VISA Debit Card in other Bank ATM where VISA Card is accepted.

SMS Banking Service:

SMS Banking Service gives clients the convenience of checking account balance bank account balance, while clients are stuck in traffic. Stop Cheque Payment from the airport.

Card Messaging Service:

Clients can check your credit Card balance and get other credit card related services through their Card Messaging Services (CMS).

Locker Services:

For safekeeping of your valuables such as important documents and goods like jewelries and gold ornaments, their locker services is available in most of the branches in urban areas.

Call Center:

They have setup their own "Call Center" at Head Office under the direct supervision of the Managing Director. If you have any queries, suggestion or complain, you can talk to their Call Center during business hour. You will also find complain/suggestion box at their every branches for your valuable input. Their Call Center is open from Sunday to Thursday to accept your call in working hour from 10:00 a.m. to 06:00 p.m. except on Saturday from 10:00 p.m. to 03:00 p.m. Dialing numbers are: 02-9887581-4 Ext-115,216,237.

Chapter 4

Foreign Exchange Operation in PBL, Kawran Bazar Branch

4.1 Concepts

Foreign Exchange Department of Kawran Bazar Br has two sections. They are-

I. Import Section and

II. Export Section.

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

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

Importer / Buyer/ Opener/ Applicant:

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

Issuing/ opening bank:

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

Exporter/ seller/ beneficiary:

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

Advising / notifying bank:

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

Confirming bank:

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

Confirmation:

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

Complying presentation:

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

Negotiating bank:

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

Reimbursing bank:

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

Paying bank:

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

Letter of Credit:

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

1). is to make payment to or to the order of a third party (beneficiary), or is to accept and pay bill of exchange (drafts) drawn by the beneficiary.

2) Authorizes another bank to effect such payment, or to accept and pay such bill of exchange.

3). Authorizes another bank to negotiate.

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

Types of L/C or Documentary Credit

Documentary Credits may be either:

- (i) Revocable
- (ii) Irrevocable.

Revocable credit: A revocable credit is a credit that can be amended or cancelled by the issuing bank at any time without prior notice to the seller. In case of seller (beneficiary), revocable credit involves risk, as the credit may be amended or cancelled while the goods are in transit and before the documents are presented, or although presented before payments has been made. The seller would then face the problem of obtaining payment on the other hand revocable credit gives the buyer maximum flexibility, as it can be amended or cancelled without prior notice to the seller up to the moment of payment buy the issuing bank at which the issuing bank has made the credit available, In the modern banking the use of revocable credit is not widespread.

Irrevocable credit: An irrevocable credit constitutes a definite undertaking of the issuing bank (since it can not be amended or cancelled without the agreement of all parties thereto), provided that the stipulated documents are presented and the terms and conditions are satisfied by the seller. This sort of credit is always preferred to revocable letter of credit. Sometimes, Letter of Credits is marked as either 'with recourse to drawee or 'without recourse to drawer'.

Some Important Documents of L/C or Documentary Credit

Forwarding: Forwarding is the letter given by the advising bank to the issuing bank. Several copies are sent to the issuing bank. All copies including original should be kept in the bank.

Bill of Exchange: According to the section 05, Negotiable Instruments (NI) Act-1881, A "bill of exchange" is an instrument in writing containing an unconditional order signed by the maker, directing a certain person to pay [on demand or at fixed or determinable future time] a certain sum of money only to or to the order of a certain person or to the bearer of the instrument. It may be either at sight or certain day sight. At sight means making payment whenever documents will reach in the issuing bank.

Invoice: Invoice is the price list along with quantities. Several copies of invoice are given. Two copies should be given to the client and the other copies should be kept in the bank. If there is only one copy, then its photocopy should be kept in the bank and the original copy should be given to the client. If any original invoice contains the custom's seal, then it cannot be given to the client.

Packing List: Packing list is the letter describing the number of packets and there size. If there are several copies, then two copies should be given to the client and the remaining should be kept in the bank. But if there is only one copy, then the photocopy should be kept in the bank and the original copy should be given to the client.

Bill of Lading: Bill of Lading is the bill given by shipping company to the client. Only one copy of Bill of Lading should be given to the client and the remaining copy should be kept in the bank.

Certificate of Origin: Certificate of origin is a document describing the producing country of the goods. One copy of the certificate of origin should be given to the client and the remaining copy should be kept in the bank. But if there is only one copy, then the photocopy should be kept in the bank and the original should be given to the client.

Shipment Advice: The copy mentioning the name of the insurance company should be given to the client and the remaining copies should be kept in the bank. But if only one copy is given, then the photocopy should be kept in the bank and the original copy should be given to the bank.

IMP-Form

This form is prepared for maintaining account of the money, which goes out side the country for the purpose of payment. This form is required by Bangladesh Bank. It is an application for permission under 4/5 of the Foreign Exchange Regulation Act, 1947 to purchase foreign currency for the payment of import.

IMP - FORM has four copies:

1. Original copy for Bangladesh Bank.
2. Duplicate copy for authorized dealers. It is issued for processing Exchange Control Copy of bill of entry or certified invoice.
3. Triplicate copy for authorized dealers' record.
4. Quadruplicate copy for submission to the bank in case of imports where documents are retired.

Following documents are sent with FORM-IMP:

- a) Letter of Credit Authorization Form,
- b) One copy of invoice,
- c) Indent copy / Pro-forma invoice.

The following Information is included in the FORM-IMP:

- i. Name and address of the authorized dealer,
- ii. Amount of foreign currency in words and figures,
- iii. Names and address of the beneficiary,
- iv. L/C Authorization Form number and date,
- v. Registration number of L/C Authorization Form with Bangladesh Bank, and
- vi. Description of the goods.

4.2 Import Section:

Import may be defined as bringing of visible item to the country from abroad through letter of credit or the Authorization form (LCAF) paying foreign Currency to that of exporting country.

Import Mechanism

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

Parties of L/C or Documentary Credit

The parties are:

- The Importer
- The Issuing Bank,
- The Confirming Bank, if any, and
- The Beneficiary.

Other parties that facilitate the Documentary Credit are:

- The Applicant,
- The Advising Bank,
- The Nominated Paying/ Accepting Bank, and
- The Transferring Bank, if any.

Things Are Done In Import Mechanism

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

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

L/C Issuing:

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

There are three types of L/C offered by Kawran Bazar Branch, Premier Bank. They are:

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

Classification of Back-to-Back Letter of Credit

Back to back L/C can be divided into four categories. These are:

- Local (04)
- EDF(05)
- EPZ foreign (12)
- Foreign (06)

Procedure to open an L/C

Usually, Kawran Bazar Branch, Premier Bank issues import L/C for both the regular and for new importers.

An importer is required to have the following to import through PBL--

- i. Applicant has to apply for opening LC by a prescribed form.
- ii. Applicant has to submit **the Letter of Indent or Letter of Pro-forma Invoice**.
Letter of Indent: Many sellers have their agent in seller's country. If the contract of buying is made between the buyers and the agent of the sellers then Letter of Indent is required.
Letter of Pro-forma Invoice: If the contract is made directly between the buyer and the sellers then Letter of Pro-forma Invoice is needed.
- iii. Applicant has to submit **IRC (Inventors Registration Certificate)**. It is a certificate being renewed every year. This certificate is necessary if the contract is made between the buyers and the agents of the sellers. **IRC is of two types - COM and IND. COM is given for commerce purpose and IND is given for industrial purpose.**
- iv. Applicant has to submit **LCAF (Letter of Credit Authorization Form)**.
- v. Applicant has to submit **insurance document**.
- vi. Applicant has to prepare **FORM-IMP**.
- vii. Recently, there has been made a provision to give a certificate named **TIN (Tax Payers Identification Number)**. Taxation department issues this certificate.
- viii. Then after proper scrutiny bank will open an L/C.

Considerations for issuing bank

- i. He must have an account in PBL.
- ii. He must have Importers Registration Certificate (IRC)
- iii. Report on past performance with other bank. PBL collect this report from Bangladesh Bank.
- iv. CIB (Credit Information Bureau) report from Bangladesh Bank.
- v. A proposal approved by the meeting of executive committee of the bank. It is necessary only when the L/C amount is small or there is no limit.

- vi. If the LC amount is large or there is a limit, then an approval from Bangladesh Bank is needed. Usually this approval is needed for amount more than one crore.

Desk Work

a. Register Entry

- Then the particulars of L/C are recorded in the L/C opening register - Date and L/C number
- Name of the party
- Amount in Tk. And foreign currency
- Name of advising bank
- Expiry dates.
- Percentage of margin and amount of margin
- Amount of commission, handling charge, postage charges, SWIFT charges.

b. Bangladesh Bank Entry

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

Transmitting L/C

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

Amendment:

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

Lodgment:

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

Steps involved in Lodgment

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

- At first all the particulars of the document are entered in PAD register. PAD No. Seal is given on all the copies of the received document.
- Convert the foreign currency into Bangladeshi currency.
- Reverse the contingent liability and entry in the liability register.

- Prepare Lodgment voucher
- Send IBCA to the Head Office
- Entry is made to L/C Monitoring cell of Bangladesh Bank through its web site.
- Make initiation to the import

Retirement of Documents:

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

Shipment of Goods and Lodgment of Documents by Exporter

Then exporter ships the goods to the destination of the importer country Sends the documents to the L/C opening bank through his/her negotiating bank. Generally the following documents are sent to the Opening Banker with L/C:

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

Payment against Documents (PAD)

Payment made by bank against lodgment of shipping documents of goods imported though Letter of credit falls under this head. It is an interim advanced with import and it is generally

liquidated against payments usually made by the party for retirement of the documents for release of imported goods from the customer's authority. It falls under the category of commercial loan.

Loan against Imported Merchandise (LIM)

Advances allowed for retirement of shipping document and release of goods imported through LIM taking effective control over the goods by pledge fall under this type of advance. When the importer failed to pay the amount payable to the exporter against import LIM, then PREMIER BANK gives loan against imported merchandise to the importer. The importer will bear all of the expenses.

Import against Trust Receipt (LTR)

Advance against a LTR obtained from the customer is allowed when the documents covering an importer shipment are given without payment. The customer holds the goods or their sale proceeds in trust for the bank until the LTR are fully paid off. LTR is a document that creates the banker's lien on the goods. The period of LTR may be 30, 45, 60 or 90 days.

Payment Procedure of Import documents

This is the most sensitive task of the Import Department. The officials have to be very much careful while making payment. This task constitutes the following:

Date of Payment

Usually payment is made within seven days after the documents have been received. If the payment is become deferred, the negotiating bank may claim interest for making delay.

Preparing Sale Memo

A sale memo is made at BC rate to the customer. As the TT & OD rate is paid to the ID, the difference between these two rates is exchange trading. Finally, an Inter Branch Exchange Trading Credit Advice is sent to ID.

Requisition for the Foreign Currency

For arranging necessary fund for payment, a requisition is sent to the International Department.

Transmission of Message

Message is transmitted to the correspondent bank ensuring that payment is being made.

Kind of Import Business Related to L/C

- Food
- Chemical(Textile)
- Medical Instruments
- Electric Device(IPS, UPS cables etc)
- Computer accessories
- Others

4.3 Export Section:

The goods and services sold by Bangladesh to foreign households, businessmen and Government are called export.

Things Done in Export

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

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

Parties Involves In Export L/C

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

Export Mechanism & Formalities:

Documents Required for Export Letter of Credit

These documents should be submitted to the bank for negotiation:

- Export L/C EXP form
- Pro-forma invoice

- Bill of Exchange
- Certificate of origin
- Bill of Lading
- Packing list
- Inspection certificate Insurance document
- Any other document as per L/C

Procedure for Export Letter of Credit

There are a number of formalities that require to procedure of Export Letter of Credit:

ERC (Export Registration Certificate)

For export from Bangladesh unless he is registered with CCI & E and holds valid Export Registration Certificate (ERC). The ERC is required to be renewed every year. The ERC number is to be incorporated on EXP forms and other documents connected with exports.

Obtaining EXP

After having the registration, the exporter applies to First Security Bank Limited with the trade license, Export Registration Certificate and the Certificate from the concerned government Organization to get EXP. If the bank is satisfied, an EXP is issued to the exporter. An EXP-Form contains the following particulars:

- Name and address of Authorized Dealer
- Particulars of the commodity to be exported with code
- Country of destination
- Port of destination
- Quantity
- L/C value in foreign currency
- Terms of Sale
- Name and address of Importer / Consignee

- Bill of Lading/ Railway Receipt! Airway Bill/ Truck Receipt/ Post Parcel Receipt no. and date
- Port of Shipment
- Land Custom Post
- Shipment Date
- Name of the Exporter with address CCI & EI's Registration number and date of the Exporter
- Sector (Public or Private) under which the Exporter falls

Securing the Order

Upon registration, the exporter may proceed to secure the export order. Contracting the buyers directly through correspondence may be done. Some buyers of goods like jute and jute goods maintain liaison office. Representative of local agents who can be contacted to secure a deal.

Signing of the Contract

The following points are to be mentioned in terms of signing of the contract:

- Quantity of the commodity
- Price of the commodity
- Shipment
- Insurance and marks. Inspection
- How can solve any kind of conflicts between the contract parties.
- The terms of the L/C are in conformity with those of the contract

Procuring the Materials

After making the deal and on having the L.C opened in his favor, the next step for the exporters to set about the task of procuring or manufacturing the contracted merchandise.

Shipment of Goods

The following are the documents normally involved at the stage of shipment:

- EXP Form
- Photocopy of registration certificate
- Photocopy the contract
- Photocopy of the L/C
- Freight certificate from the bank in case of payment of the freight at his port of loading is involved.
- Railway Receipt, Berge Receipt or Truck Receipt.
- shipping instructions
- Insurance policy

Settlement of Local Bill to Back to Back

The settlement of local bills is done in the following ways:

- The customer submits the LIC to First Security Islamic Bank Limited along with the documents for negotiate
- First Security Islamic Bank Limited official scrutinizes the documents to endue the conformity with the term and conditions.
- The documents are then forwarded to the to the L/C opening bank.

Preparation of the Export Document:

Substantive Document

Substantive document are those which are normally required to be furnished under almost all the contracts for sale of goods to overseas buyers and they include:

- Draft or bill exchange
- Commercial invoice
- Bill of lading or airway bill
- Marine insurance policy

Auxiliary Document

In substantive document, the exporter may be required to prepare other document, called auxiliary document. The number and type of those documents depends on the terms of the contract and /or the L/C, but they mainly include:

- Packing list
- Consular invoice
- Certificate of origin
- Inspection certificate
- Quality control certificate
- Photo- sanitary certificate
- GSP certificate

Negotiation of Documents under Letter of Credit

Under this arrangement, after the goods are shipped, the exporter submits the concerned document to the negotiating bank for negotiation. The documents should be negotiated strictly in accordance with the terms and conditions and within the period mentioned in the letter of credit.

After shipment, exporter submits the following documents to First Security Islamic Bank Limited for negotiation.

- Bill of exchange
- Bill of Lading
- Invoice
- Insurance Policy/Certificate
- Certificate of Origin
- Inspection Certificate
- Consular Invoice
- Packing List
- Quality Control Certificate
- G.S.P. certificate.

Mode of Payment of Export Bill under Letter of Credit

As per UCPDC 500, 1993 revision there are four types of credit. These are as follows:

- Sight Payment Credit
- Deferred payment Credit
- Acceptance credit
- Negotiation Credit

Export Financing

Export financing can be two types:

Pre- Shipment

Pre- shipment, as the name suggest, is given to finance the activities of an exporter prior to the actual shipment of goods. Pre-shipment credit is essentially a short-term credit and liquidated by negotiation or purchase of export bills covering the merchandise.

Export Cash Credit (Hypothecation)

Under this arrangement, a credit is sanction against hypothecation of the raw materials or finished goods for export. Such facility is allowed only to major exports. As the bank has no got security, in this case, except change documents and line of export L/C or contract, the bank normally insists on the exporter furnishing collateral security.

Export Cash Credit (Pledge)

This credit facility is allowed against a pledge of exporter goods or raw materials. In this case, cash credit facilities are extended against pledge of goods to be stored in the go down under banks control by signing the letter of pledge and other documents.

Export Cash Credit against Trust Receipt

In this case, credit limit is sanctioned against Trust Receipt (TR). Here also, unlike the 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, wherein a declaration is made that goods purchased with financial assistances of bank are held by him in trust for the bank.

Packing Credit

In this case, the credit facilities are extended against security of railway receipt or steamer receipt or barge receipt or truck receipt evidencing transportation of goods to the port for shipment of the goods in addition to the usual charge document and lien of export letter of credit.

Payment of Back-To-Back Letter of Credit

In case back to back as 60-90-120 days of maturity period, deferred payment is made. Payment is given after realizing export proceeds from the L/C issuing bank.

Post-Shipment

Post shipment credit refers to the credit facilities extended to the exporter by the bank after shipment of the goods against export documents. Necessary of credit arises, as the exporter cannot afford to wait for a long time without paying manufacturers/ suppliers.

Purchase of DP& DA Bills

In such a case, the bank purchased/discount the DP (document against payment) and DA (document against acceptance) bills operated under the payment method of documents separately, and clear instructions have to be obtained from the drawer of the bills in regard to all important issues related to the negotiation of the bills.

Advances against Bills for Collections

Banks generally accept export bills for collection of proceeds when they are not drawn under against an L/C contain some discrepancies. The bank generally negotiates bills drawn under L/C, without any discrepancy in the documents and the exporter gets the money from the bank immediately.

The goods and services sold by Bangladesh to foreign households, businessmen and Government are called export. The export trade of the country is regulated by the Imports and Exports (control) Act, 1950. There are a number of formalities, which an exporter has to fulfill before and after shipment of goods. The exports from Bangladesh are subject to export trade control exercised by the Ministry Of Commerce through Chief Controller of Imports and Exports (CCI & E). No exporter is allowed to export any commodity permissible for export from Bangladesh unless he is registered with CCI & E and holds valid Export Registration Certificate (ERC). The ERC is required to be renewed every year. The ERC number is to be incorporated on EXP forms and other documents connected with exports.

Payment Procedure for FDBP

- After purchasing the documents, Bank gives the following entries:
 - *FDBP A/C ----- Dr. (at OD sight rate)*
 - *Customer A/C ----- Cr.*

(Before realization of proceeds)

Bank would realize only postage charges from the exporter.

- Subsequently, Bank will send the documents to the L/C opening Bank for payment with a forwarding letter detailing the enclosures. Upon realization of proceeds the Negotiating Bank would pass the following vouchers:

- *Head Office A/C ----- Dr. (at T.T Clean rate)*
- *FDBP A/C ----- Cr.*
- *Income A/C Profit on Exchange Trading ----- Cr.*

(Adjustment after realization of proceeds)

A FDBP Register is maintained for recording all the particulars

Kind of Export Business Related to Letter of Credit

- Garments
- Shrimpfish
- Jute
- Plastic
- Others

4.4 Foreign Remittance:

PBL, Kawran Bazar Branch is an authorized dealer of foreign exchange. Their dealing in foreign exchange involves buying and selling of foreign exchange covering inward remittances received from abroad and outward remittances sent abroad.

The basic functions of this department are outward and inboard remittance of foreign exchange from one country to another country. 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, in 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 purchases, the cost being paid by the buyer in home currency, the legal tender.

Working of this Department

- Overall supervision of foreign remit. Dept
- Foreign TT payment & purchase of F. Drafts, preparations of FBP (Foreign Bill Purchase)
- Issuance of outward TT & FDD
- Issuance of proceed responding certificate (PRC)
- Foreign collection, Bangladesh Bank Clearing Check Collection, that comes from all branch of FSBL
- Withdrawal from F.C. A/C
- Encashment of T.C & Cash Dollar and Sterling Pound
- Deduction of Tax and VAT. On behalf of Bangladesh Bank
- Preparation of related statements including convertible Take Accounts
- Preparation of IBCA & IBDA and balancing of collection and other special assignment as desired by department in charge
- Balancing of account statement
- Compliance of audit & inspection
- Statement of all related works submitted to Bangladesh Bank

There are two types of remittance:

1. Inward remittance
2. Outward remittance

Inward Foreign Remittance

Inward Foreign Remittance covers purchase of foreign currency in the form of foreign TT, DD, MT, Bills etc. sent from abroad favoring a beneficiary in Bangladesh. Purchase of foreign exchange is to be reported to exchange control department of Bangladesh Bank prescribing two forms:

- EXP from: Remittances received against export of goods from Bangladesh are done by this.
- From C: Inward remittances equivalent to US\$ 2000/- and above are done by this.

Outward Foreign Remittance

Outward Foreign Remittance covers sales of foreign currency through issuing foreign T.T, Drafts, Travelers Check etc. as well as sell of foreign exchange under L/C and against import bills retired. Two forms are used for outward remittance of foreign currency are:

- IMP Form: All Outward Remittance on account of imports
- TM: For all other Outward Remittances

Remittance Facilities:

Private Remittances

- Family remittances facilities
- Remittances of membership fees
- Education
- Remittances of consular fees
- Remittances of evaluation fees
- Travel
- Health & medical
- Seminars & workshops
- Foreign nationals
- Remittances for Hajj
- Other private Remittances

Official and Business Travel

- Official visit
- Business travel quota for new exporter
- Business travel quota for importer
- Exporter retention quota

Commercial Remittances

- Opening of branches or subsidiary companies abroad.
- Remittances by shipping, airlines and courier services.
- Remittance for royalty and technical fees.
- Remittance on account of training & consultancy.
- Remittance of dividends.
- Subscription of foreign media services.
- Fees for return monitors.
- Adv. of Bang. Products in mass media abroad.
- Bank charges.
- Sundries.

The bank also gives service to the customer through-

- Wall Street Finance
- Prabhu Money Transfer
- KMB Money Transfer
- Dollex Dollar Express
- Money Gram
- X-press money.

Chapter 5

Data Analysis and Findings

5.1 Data Analysis:

Some general observations of the performance Premier Bank, Kawran Bazar Branch of last FIVE years (2008-2012) of the bank are as follows.

Total Import:

All the businesses located near the branch are related to trading of cast iron products, commercial ply woods, papers, paper boards etc. Due to the nature of the businesses located near the branch, all the import LCs opened here for importing industrial purpose. Besides cast iron products, Back to Back LCs against export LCs are also opened here. Major products for which BTB LCs are opened are Fabrics and Accessories of Ready Made Garments.

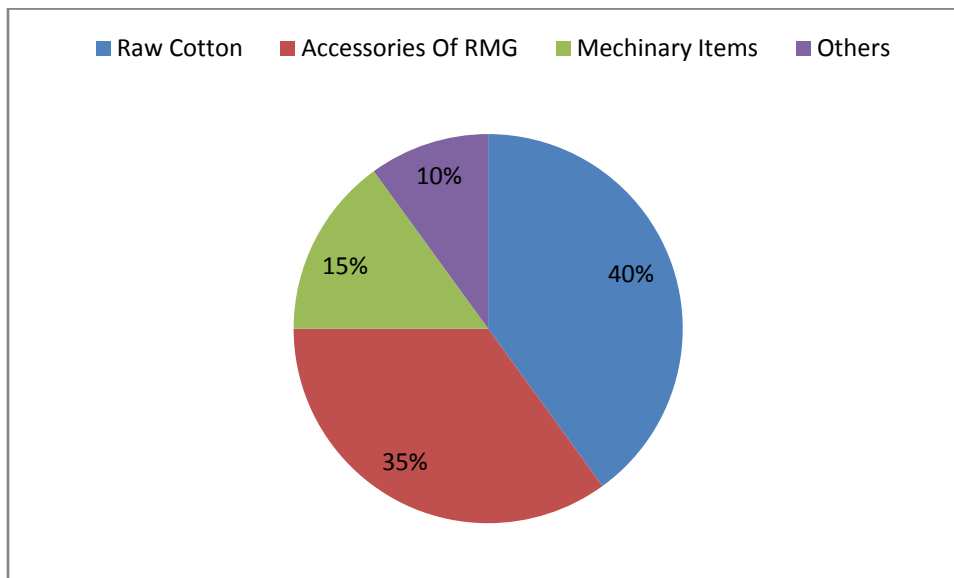
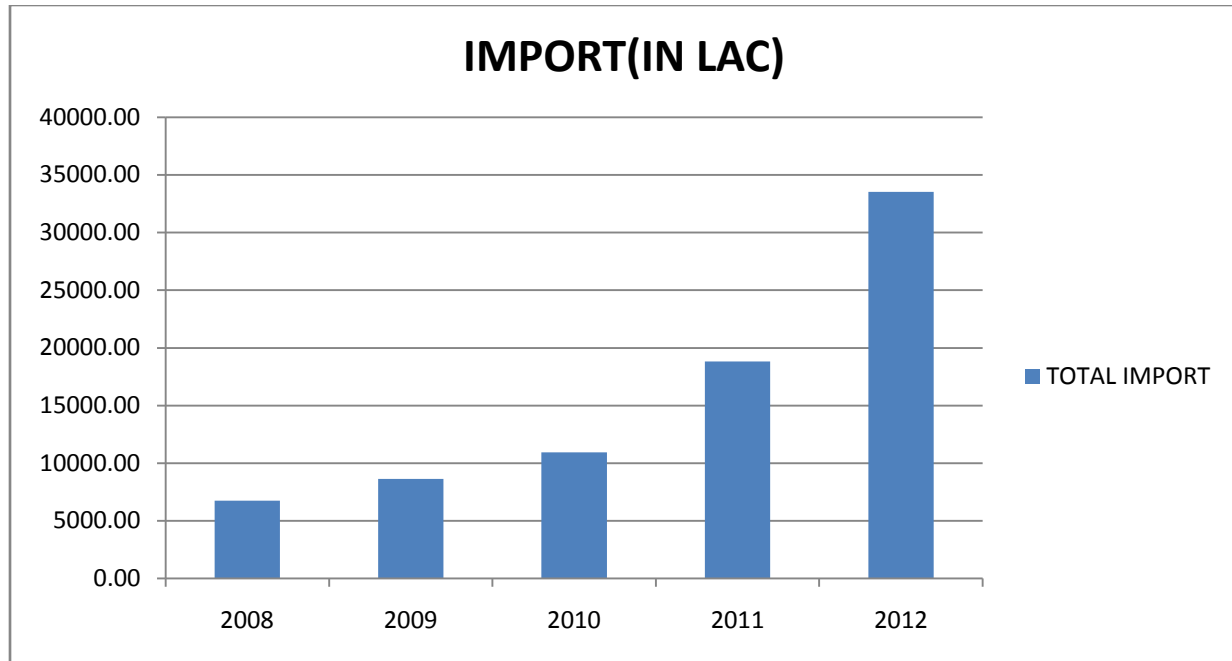


Table 1 show that in 2008 and 2012 import L/C opened was about 6732.21 lac and 33542.20 lac respectively. Import L/C increased to TK 33542.20 Lac from TK 6732.21 Lac during the five year period. This shows a yearly growth rate of about 51%.

Table 1

| Year | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------------------|-------------|-------------|-------------|-------------|-------------|
| Total Import (in lac) | 6732.21 | 8623.56 | 10944.21 | 18832.38 | 33542.20 |



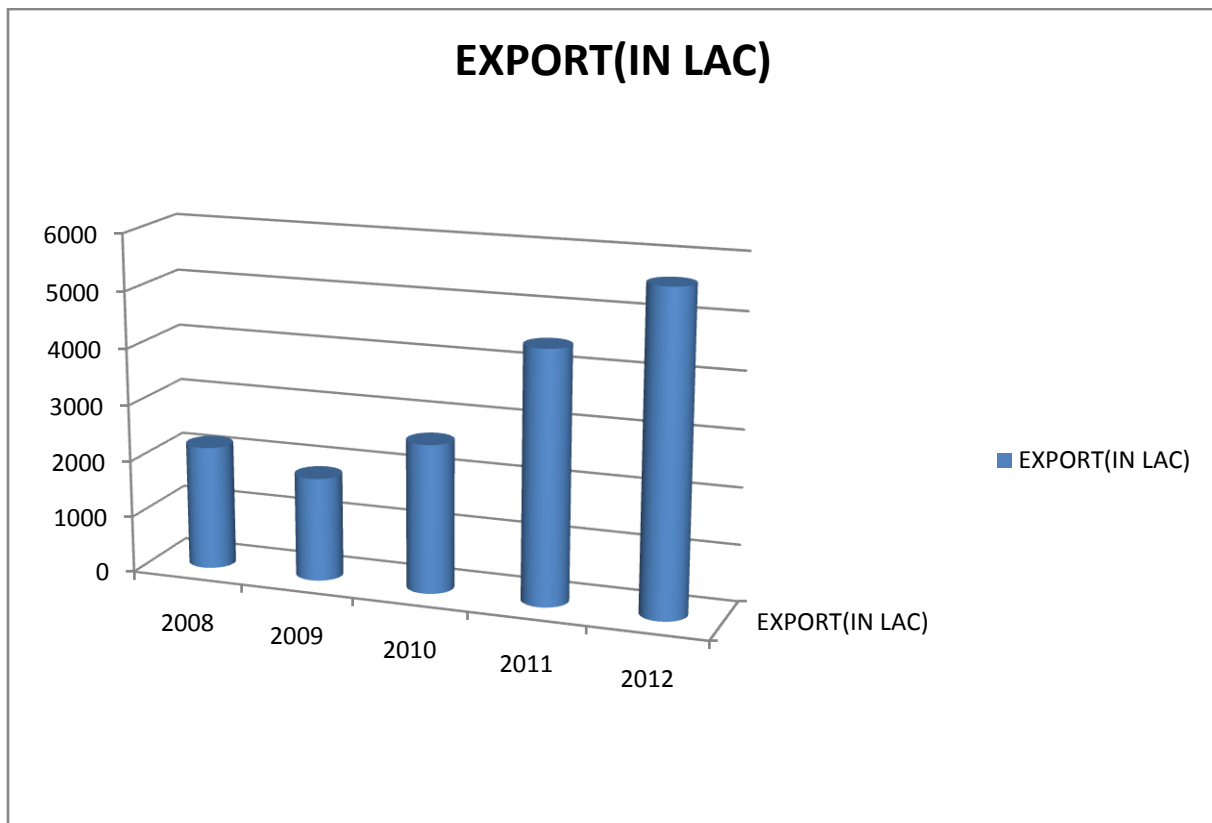
Total Export:

Export volume of the Kawran Bazar branch reached Tk. 5615.04 LAC which is 26.35% higher than that of FY 2011. Major export items involved with the bank's foreign trade activities were readymade garments and non-traditional items.

Table 2 shows that in 2008 and 2012 exports were about 2186.89 lac and 5615.04 lac respectively. Export L/C increased to TK 33542.20 Lac from TK 6732.21 Lac during the five year period. This shows a yearly growth rate of about 51%.

Table 2

| Year | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------------------|---------|---------|---------|---------|---------|
| Total Export (in lac) | 2186.89 | 1830.24 | 2625.38 | 4443.73 | 5615.04 |

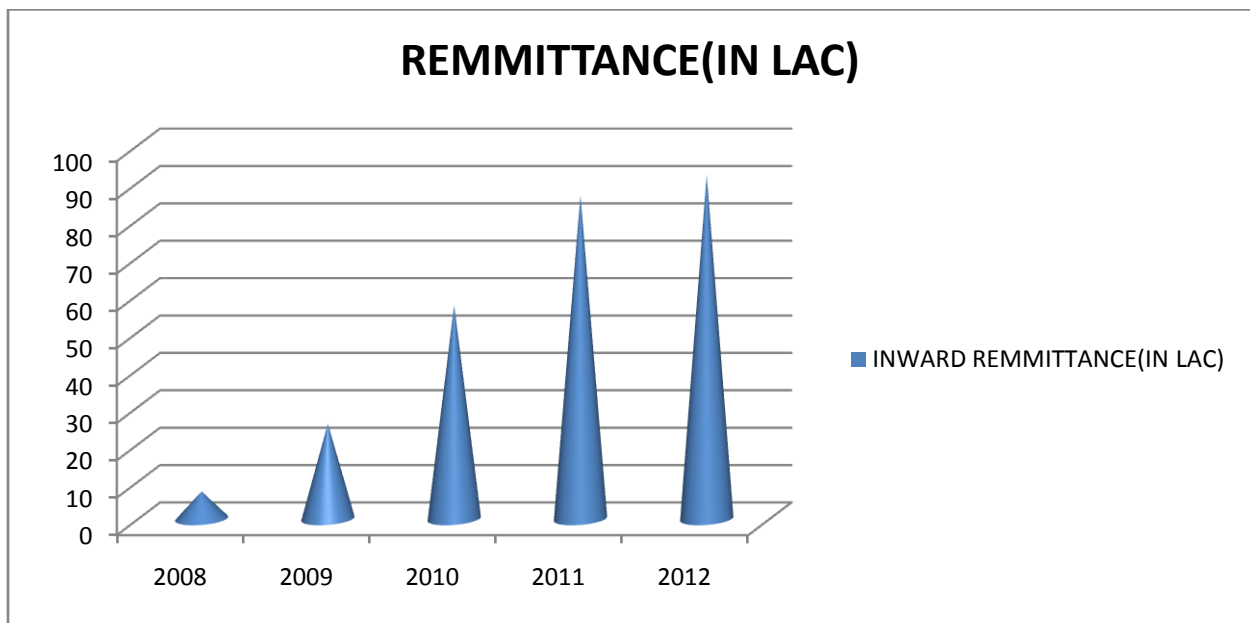


Foreign Remittance:

During the year 2012, the inflow of inward foreign remittance was TK. 92.10 LAC whereas in the previous year 2011 the amount was TK.86.63 LAC which is TK.6 LAC higher than the previous year.

Table 3

| Year | 2008 | 2009 | 2010 | 2011 | 2012 |
|-----------------------------|------|-------|-------|-------|-------|
| Foreign remittance (in lac) | 7.31 | 25.50 | 57.20 | 86.63 | 92.10 |



5.2 Comparative Analysis:

Comparative Analysis of the Premier Bank Ltd. (PBL) with Islami Bank Bangladesh Ltd. (IBBL)

The Premier Bank Ltd.

Table 4

(Million in Taka)

| Year | 2009 | 2010 | 2011 | 2012 |
|--------|----------|----------|----------|----------|
| Import | 28048.00 | 36213.00 | 49496.00 | 65737.00 |
| Export | 13505.00 | 23268.00 | 31081.00 | 39038.00 |

Islami Bank Bangladesh Ltd

Table 5

(Million in Taka)

| Year | 2009 | 2010 | 2011 | 2012 |
|--------|----------|----------|----------|----------|
| Import | 59804.00 | 74525.00 | 82702.00 | 89788.00 |
| Export | 29151.00 | 36169.00 | 36682.00 | 41092.00 |

Import Comparison of PBL with IBBL:

Million in Taka

| Year | 2009 | 2010 | 2011 | 2012 |
|------|----------|----------|----------|----------|
| PBL | 28048.00 | 36213.00 | 49496.00 | 65737.00 |
| IBBL | 59804.00 | 74525.00 | 82702.00 | 89788.00 |

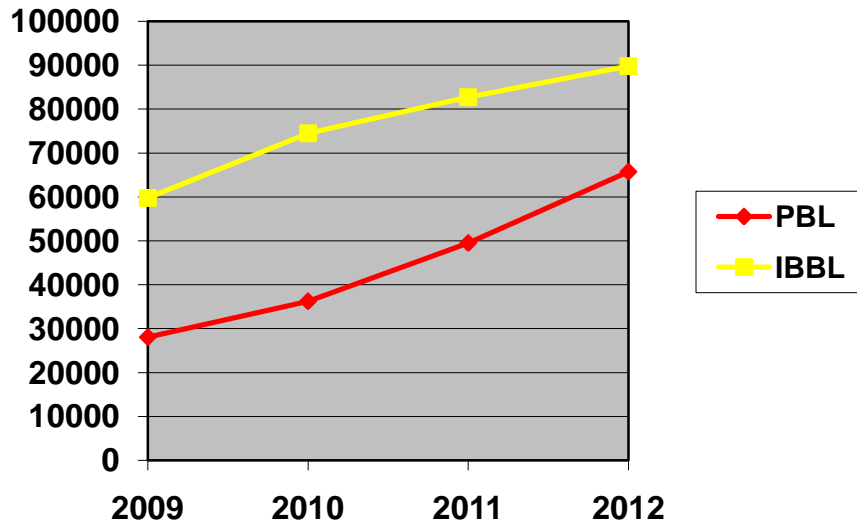


Chart: Import Comparison of PBL with IBBL.

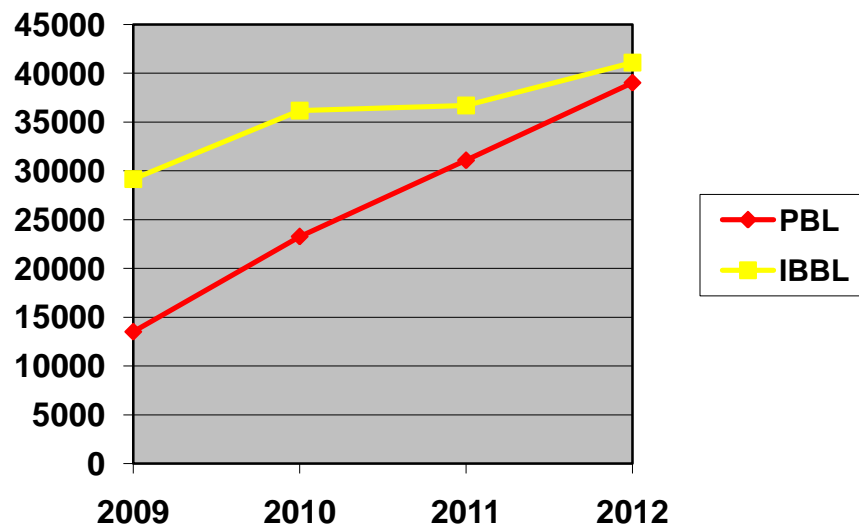
Interpretation:

The above graphical presentation shows comparison imports between The Premier Bank Ltd. (PBL) and the Islami Bank Bangladesh Ltd. (IBBL). The trend of import business of the PBL is increasing from 2009 to 2010 on the other hand IBBL also increasing but they are now standing in initial point. The growth of PBL in 2011 to 2012 was Tk.16241 million and the growth of IBBL in 2011 to 2012 was Tk.7086 million. So the growth of IBBL is lower then PBL.

Export Comparison of PBL with IBBL:

Million in Taka

| Year | 2009 | 2010 | 2011 | 2012 |
|------|----------|----------|----------|----------|
| PBL | 13505.00 | 23268.00 | 31081.00 | 39038.00 |
| IBBL | 29151.00 | 36169.00 | 36682.00 | 41092.00 |



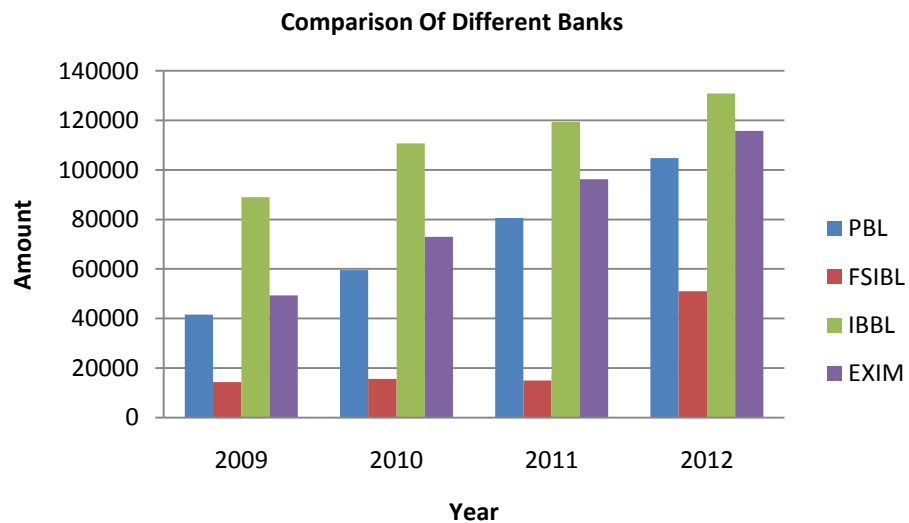
Interpretation:

The above graphical presentation shows comparison exports between The Premier Bank Ltd. (PBL) and the Islami Bank Bangladesh Ltd (IBBL). The trend of export business of the PBL and IBBL is increasing and experiencing from 2009 to 2012. The growth of PBL in 2011 to 2012 was Tk.7957 million and the growth of IBBL in 2011 to 2012 was Tk.4410 million. So the growth of export business of PBL is higher than IBBL in 2012. So they should continue their increasing.

Comparison of Foreign Exchange Business:

(Amount in Million)TK

| Year | PREMIER | FSIBL | IBBL | EXIM |
|-------|---------|-------|--------|--------|
| 2009 | 41553 | 14327 | 88955 | 49313 |
| 2010 | 59481 | 15684 | 110694 | 72940 |
| 2011 | 80577 | 14979 | 119384 | 96175 |
| 2012 | 104775 | 50983 | 130880 | 115683 |
| Total | 286386 | 95973 | 449913 | 334111 |



5.3 Market Position: Private Commercial Bank

(Million in Taka)

| Bank Name | 2007-2008 | 2008-2009 | 2009-2010 | 2010-2011 | 2011-2012 |
|-----------------------------|-----------|-----------|-----------|-----------|-----------|
| Uttara Bank Ltd. | 279.88 | 365.59 | 385.61 | 393.98 | 483.78 |
| National Bank Ltd. | 116.33 | 139.69 | 231.99 | 319.85 | 439.44 |
| Islami Bank Bangladesh Ltd. | 291.68 | 467.57 | 593.69 | 894.98 | 1175.79 |
| The Premier Bank Ltd. | 360.80 | 213.97 | 193.91 | 262.46 | 342.84 |
| Dhaka Bank Ltd. | 0.34 | 7.31 | 84.12 | 122.56 | 148.85 |

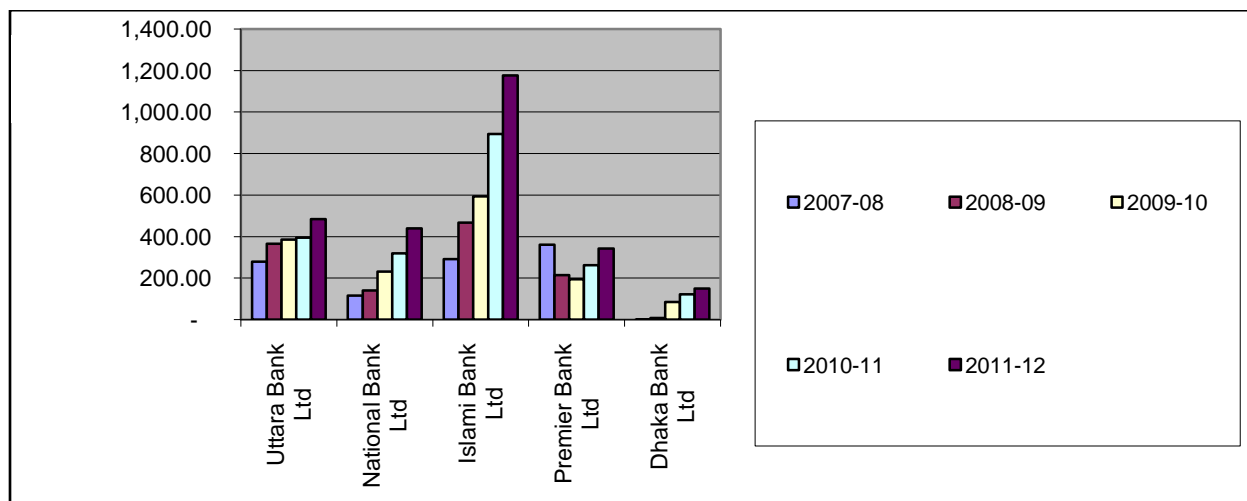


Chart: Different Private Commercial Bank and their remitted money

This graph represent Yearly remitted amount of five different private commercial banks. In terms of wage earners' remittance Dhaka Bank Ltd. belong in the lowest position with \$0.34, \$7.31, \$84.12, \$122.56, and \$148.85 million for 2007-2008, 2008-2009, 2009-2010, 2010-2011, 2011-2012 respectively among these four banks. Islami Bank Ltd. stands the first position with \$291.68, \$467.57, \$593.69, \$894.98, and \$1175.79 million for 2007-2008, 2008-2009, 2009-2010, 2010-2011, and 2011-2012 respectively.

5.4 Findings of the study

The main objective of Premier Bank Limited is to maximize profit by utilizing its resources at the optimum level and to ensure the best possible service towards the customers. Premier Bank Limited always tries to uphold its social commitment, so it fixes the terms and conditions for getting loan under Foreign exchange activities in a most flexible fashion and reveal the actual interest rate it charges against the credit to be offered.

Premier Bank Limited disburses all loans through the bank staffs and all bank staffs emphasize on the bank's goals and objectives.

Customers' View

- Most of the clients are satisfied with the management philosophy of the Bank.
- They diverse modern technology in banking service.
- Customers doing their business with the bank because of relationship and also for good communication.
- Customers not doing their business with the bank because of lack of relationship and also for not good communication.
- Most of the client treats the bank as their friend so they were not hesitating to say about the bad/good side of the service while they were interviewing by me.
- Clients especially the corporate clients are required to be trained through workshop and training session for the clients.
- The bank can achieve success if they can handle the situation efficiency.

Other Findings.....

- There are three types of L/C offered by Kawran Bazar Branch, Premier Bank. This are-
1. Sight L/C, 2. Deffered / Usance L/C and 3. Back -to -Back L/C.
Usually Premier Bank, Kawran Bazar Branch discourages revocable L/C due to reduce risk of uncertainty.
- Major export is done to Turkey and UK (United Kingdom) and major imports are from China, India and Hong Kong.
- Due to the nature of the businesses located near the branch, all the import LCs opened here for importing cast iron products, commercial ply woods, papers, paper boards etc. Besides cast iron products, Back to Back LCs against export LCs are also opened here.

Major products for which BTB LCs are opened are Fabrics and Accessories of Ready Made Garments. Import L/C increased to TK 33542.20 Lac from TK 6732.21 Lac during the five year period. This shows a yearly growth rate of about 51%.

- Export volume of the bank reached Tk. 5615.04 LAC which is 26.35% higher than that of FY 2011. Major export items involved with the bank's foreign trade activities were readymade garments and non-traditional items. Export L/C increased to TK 33542.20 Lac from TK 6732.21 Lac during the five year period. This shows a yearly growth rate of about 18%.
- During the year 2012, the inflow of inward foreign remittance was TK. 92.10 LAC whereas in the previous year 2011 the amount was TK.86.63 LAC which is TK.6 LAC higher than the previous year.

Chapter 6

Recommendation

In my short span of internship program, I have gained practical experiences about foreign exchange activities from starting a deal to preparation of monthly report about it. I had discovered few things from day to day operations. In light of that I make following recommendations:

- Foreign Exchange Section has to be decentralized to make their decisions with more responsibility.
- Regular performance appraisal and assurance of promotion/reward should depend on that they will resist the employee's switching tendency.
- Software up gradation is a necessity to enhance performance and to compete with other Private Commercial Banks.
- Space shortage is another problem for foreign exchange department because they had to store all the papers of any transaction.
- Yearly financial report has to be published only for foreign exchange activities in details.

Conclusion

Banks and financial institutions play an important role in the process of economic growth of a Country. Given their considerable economic potential, these institutions have a far – reaching impact on the development and welfare process of the surrounding societies. These financial institutions depend, in accumulating their financial resources, basically on the inflow of deposits. In order to survive and achieve success, these banks endeavor to attract clients in search of loans to finance their different activities according to the banks established terms and conditions. These banks, which are called commercial banks, depend in their transactions on the interest rate, as the driving factor, which stimulates all their dealings

The financial performance of foreign Exchange evaluation demonstrates that the profitability of the bank has a positive trend. Profitability is an indicator of a bank's capacity to carry risk and / or to increase its capital. Overall financial picture of Premier Bank Ltd. for the last five-year period shows that it has positively set its root in the financial arena of Bangladesh. The figures do not tell the story of failure. The trend is in favor of Premier Bank Ltd. and the management should take initiative to keep the bank's way to the success.

QUESTIONERY

Q1. How frequently do you use the following services per month?

| | I never use this service | Less than 5 time | 5 to 15 times | Over 15 times |
|--------------------------|--------------------------|------------------|---------------|---------------|
| Visiting the bank branch | | | | |
| Issuing IMP/EXP | | | | |
| Opening L/C | | | | |
| Remitting Purpose | | | | |

Q2. Why have you never used any banking services?

- Do not have any account in this branch
- Don't have trust of this bank
- Services don't enable me to do what I want to do
- I prefer to have personal human relation
- Find the process to difficult
- Other, please specify:

Q3. What banking operations do you use the most?

- | | | |
|-------------------------------------------|----------------------------------------------------|-----------------------------------------|
| <input type="radio"/> Pay bills | <input type="radio"/> Print bank slip or statement | <input type="radio"/> Open an account |
| <input type="radio"/> Investments | <input type="radio"/> Savings | <input type="radio"/> Insurance |
| <input type="radio"/> Loans and Mortgages | <input type="radio"/> Open L/C | <input type="radio"/> Remitting Purpose |

Q4. Do you trust the security of banking services?

- Completely Dubious Somewhat Not at all

Q5. Do you think that human contact is important for banking relation?

- Completely Not Sure Somewhat Not at all

Q6. What are for you the 2 main disadvantages of banking services?

- Overall difficulty of using online banking system
- Lack of assistance
- Security concerns
- Limited service (doesn't enable all banking operations)
- Unreliable
- No Disadvantages

Q7. What are for you the main 2 disadvantages of visiting a bank branch?

- Waiting
- Distance
- Opening times
- Quality of services
- No Disadvantages

Q8. What would encourage you to use more banking services?

- Discounted fees for certain services
- Simpler/clearer service
- Higher security
- Phone aid when setting up
- Nothing else, I already often use various banking services

Q9. Are you satisfied with the way the bank performed (is performing)?

| | Strongly Disagree | Somewhat Disagree | Neither Agree nor Disagree | Somewhat Agree | Strongly Agree |
|--------------------------------------------------------------------|-------------------|-------------------|----------------------------|----------------|----------------|
| The Bank manager is knowledgeable & professional. | | | | | |
| Officers are well trained. | | | | | |
| Officers are well supervised. | | | | | |
| Officers act in my best interest. | | | | | |
| The Bank manager is making a positive contribution to my business. | | | | | |
| Officer responds to my inquiries in a timely manner. | | | | | |

Q10. What did we do really well?

Q11. Based on your experience with the bank, would you recommend doing business to your friend / colleague?

Q12. Please share a few things that the bank could do better.

Q13. What can we do in the future to earn more Business?

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