

**INTERNSHIP REPORT ON
FOREIGN EXCHANGE OPERATION AT
STANDARD BANK LIMITED**

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LETTER OF TRANSMITTAL

ShamimEhsanulHaque

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Sub: Submission of the Internship Report.

Dear Sir,

With best regard I am submitting my Internship Report on “Customer service and Foreign Exchange Operation at Standard Bank Limited (SBL)” that you have assigned to me as an important requisite of BBA program. I have tried my level best to prepare an effective, informative and creditable report. I hope my contribution will be best evaluated on your sharp scale of acceptance and analytical remarks.

I honestly hope that my analysis will help to represent a clear idea about the corporate client preference and the foreign exchange performance at Standard bank Limited, Gulshan Branch. I hope you will find the report worth all the labor I have put in it. I welcome all your query and take pride to answer them.

Thanking You

With best regard

.....

Shatabdiroy

St. ID:10104100

BRAC Business School



ACKNOWLEDGEMENT

I would like to express my gratitude to all the people who have helped me to complete the long way of journey of my internship and to accomplish the whole task of the report.

At the very outset, with all the impulse of our heart i wish to express all my devotion and reverence to the Almighty God, most merciful beneficent creator who has enable us to complete the Report on “Foreign Exchange activity of Standard Bank Limited “for the fulfillment of the requirement for the report.

Then I want to thank all the officials of Standard Bank Limited, Gulshan branch those were involved. Firstly, I want to thank Mr. Anwar Hossain, Executive Vice President (EVP) and Head of the branch of Standard bank limited, Gulshan Branch for giving me time and sharing his thoughts and insights regarding their strategies and their bank as a whole. I would like to thank him for giving me the required information to commence this report and for providing the permission to do the required research work. Secondly, I want to thank my formal supervisor Mrs, Sultana Jahan (AVP) who helped me in all the decisive steps to acquire the key tasks at Foreign Exchange.

I would like to thank my academic supervisor, ShamimEhsanulHaque, Senior Lecturer of BRAC Business School of BRAC University for guiding me and for giving me the prospect to pledge this report. More specifically, I would like to thank him for tutoring his time and wisdom.

Furthermore, I would like to thank my parents because their inspirations have enabled me to complete the piece of work. Last but not the least I would like to show my sincere gratitude so-lemnly to the Creator who has helped me to do the work meritoriously.



EXECUTIVE SUMMARY

In the age of modern civilization bank is playing a vigorous character by its spending role to keep the economic development wheel moving. It's a combination of various economic activities those are meting out not only inside of the bank but also with some external operations. In fact there is hardly some aspects of development activity to inspire the state where bank do not have role to play. Standard Bank Limited is a third generation bank in Bangladesh. Standard Bank has incorporated on May 11,1999 in head office at 122-124 Motijheel ,Chamber building, Dhaka, Bangladesh as a public limited company with the permission of the Bangladesh Bank. The founder of SBL committed with the goal that "setting a new standard of banking". The Authorized capital of the bank is BDT 15000(million) and its Shareholders equity is BDT 9289(million) in 2013. The bank provides a broad range of financial services to its customers and corporate clients in retail banking, corporate banking, and international trade. The whole banking activities are divided into 3parts, General banking, Loan & Advances and Foreign Exchange. One of the largest businesses carried out by the commercial bank is foreign trading. The trade among various countries falls for close link between the parties dealing in trade. The situation calls for expertise in the field of foreign operation. I have worked as an Intern in the Standard Bank limited, Gulshan Branch which is known as a Corporate Branch. Basically, I served in the department of Foreign Exchange so I have instructed to prepare my report based on the "Foreign Exchange" operations. The foreign exchange department divides into three parts export, import and remittance. The export department deals with export L/C, Amendment of L/C, Transfer of L/C, EXP issue charge. When the L/C amounts have to be changed, then the amendments of L/C are needed. The expense sectors of export are –Courier/ mailing cost, Stationary cost, Parenting cost, Salary of the employees. Salary of the employees is the administrative cost. But here to analyze the actual earning of export, I've to find out the total expenses to operate export department. Import sector is the most profitable sector in foreign exchange department of SBL.. The import earning sectors are commission for L/C opening, Amendment of local L/C Service charges, Collection of credit report of the beneficiary. From commission for L/C opening and service charge, import department earns most. the expense of export, import, and remittance is almost the same. The remittance earning consists from-Issuance of cash and endorsement of passport, remittance by TT, Cash incentives handling charge etc. The ratio of foreign exchange



earnings from total earning is also pleasing and profitable. So Standard Bank Limited is one of the best leading bank in Bangladesh and this bank have to remain its performance and have to find out the ways how it can perform its operations in more profitably and customer oriented.



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Chapter One

Introduction

Bank is a financial institution whose main objective is the mobilization of fund from surplus unit to deficit unit. In the process of acceptance of deposits and provision of loan, bank creates money. This characteristic feature sets bank apart from other financial institution. A bank can influence the money supply through lending and investment. Bank collects deposit in the lowest possible cost and provide loans and advances at higher cost. The difference between these is the profit for the Bank. As a service-oriented industry, bank provides various services to its customers. So, every commercial bank has to contemplate about their customer first, because the customer are the vital part of the organization.

For the students of Bachelor of Business Administration only theoretical knowledge is not enough for handling the real life business situation. It is a great chance for the students to know about the real business operation through the Internship Program. Internship is the perfect blend of the both theoretical and practical life experience. It is a field to perform as a real player. Bachelor of Business Administration (BBA) is a professional undergraduate course. The course is designed with an excellent combination of practical and theoretical aspects. As a student of BBA, internship is an academic requirement. For internship every student is required to work in a selected institution to enrich ones practical knowledge and experiences. After completing the internship prepared a report on the knowledge of internship. From that perspective this report is prepared on “**Performance of Foreign Exchange Operations of Standard Bank**”.

To accomplish the aforesaid requirement, I am assigned as an internee in Standard Bank Limited (SBL) for 12 weeks starting from 20th May, 2014. Over the time, Standard Bank limited is providing efficient and effective banking service in a sound manner.

OBJECTIVE



The main objectives of this report are to concentrated on issues related to the operation of foreign exchange department of Standard Bank Limited. However, the details objectives can be divided into two parts and these are:

Primary Objective

General objectives are to gain the practical knowledge on the range of activities, policies associated with banking sector. From here we can get a clear idea about the internal operations of Foreign Exchange division.

Secondary Objective

- ❖ To open Back to Back L/C Opening
- ❖ Issuing EXP
- ❖ Duplicate and triplicate EXP
- ❖ Data entry to the Bangladesh Bank
- ❖ Give the acceptance ID
- ❖ ABP test of the new L/C

SCOPE OF THE STUDY

The report covers the details about the operations of Standard bank limited. This report consists the writer's observation and job experiences during the internship period at Gulshan Branch. This report emphasizes on the all sequential activities involved and used by Standard Bank Limited for all transactions. It also impacts on the Foreign exchange activities upon clients. Finally, it incorporates an evaluation of different aspects of the export import process and financial performance of the Bank and recommends some measure which help to develop the quality of the Bank.

METHODOLOGY



Methods followed to perform a job or conducting activities to complete a task is called Methodology. In conducting this study the following methodology was adopted in collecting data and information, preparation of reports etc. The methodology of report is given below.

Collection of primary data

Many of the data and information were collected from my experiences and queries from the executives while doing the internship at Standard Bank Limited. To collect the information it was a great chance to know the Foreign exchange operations very closely but it is not possible to publish all the data that disclose the Bank's secrecy.

The primary sources are-

- ❖ Practical desk work.
- ❖ Face to face conversations with the officers

Collection of Secondary data

- ❖ Annual report of SBL 2013
- ❖ Website
- ❖ Relevant books, research papers, journals etc.

All the secondary data are attached in appendix part. Different types of computer software's are used to analyze collected data such as- Microsoft Word, Microsoft Excel, Microsoft PowerPoint also analyzed by the trend analysis and cross sectional analysis.

LIMITATIONS

This report might be limited with some constraints. Details of many aspects of the services of Standard Bank Limited have been skipped in this report due to various constraints, including time and space. Moreover, one of the main barriers in writing this report was the confidentiality of data. Besides, for the preparation of this report I found that there are some limitation exists though I have given my greatest effort. Such as:

- ❖ The bankers are very busy with their job which lead me little time to consult with.



- ❖ Category wise export, import and remittance business; amount originated from the international trade is missing in the report for their restriction.
- ❖ In many cases up to date information was not published
- ❖ All the branches of the sample Bank were not visited.
- ❖ Non-Availability of reference books is another limitation.
- ❖ Due to time limitations many of the aspects are not be discussed in this present report. To learn all the functions within just 90 days is really tough

However omitting the limitations the report will help to understand the functions of the Foreign Exchange performance of the bank clearly.

Chapter Two

OVERVIEW

SBL at a glance



Name	: Standard Bank Limited
Incorporation	: May 11, 1999.
Commercial Operations	: June 03, 1999
Slogan of the company	: “Setting a new standard in Banking”
Type of Company	: Commercial Bank
Main Business	: Providing Term loans to Small Scale Enterprises and Operating Full-fledged commercial banking service.
Authorized Capital	: 15000 million
Paid up capital	: 5702 million
Total Assets	: 74953 Million
Investments	: 19168 Million
Equity	: 8080 Million
No. of Employees	: 1049 employee
Total No. of Branches	: 91
ATM booth	: 25
Ownership	: Public Limited Company
Years in Business	: 15 years

PROFILE OF SBL

Background



The banking sector of Bangladesh comprises three categories of scheduled Bank. These are nationalized Commerce banks (NCBs), Private commercial Banks (PCBs) and Foreign commercial Banks (FCBs). Private Commercial Banks are divided into three categories- First generation Bank, Second generation Bank and third generation Bank. Standard Bank Limited falls into the third generation segment and undoubtedly it leads its own generation. As an intern from business discipline with the dual major in Marketing and HR I have got the opportunity to work with this bank and try to put my effort to make a depth study.

History of the Organization

Standard Bank Limited (SBL) was incorporated as a Public Limited Company on May 11, 1999 under the Companies Act, 1994 and the Bank attained satisfactory progress from its commercial operations on June 03, 1999. SBL has introduced several new products on credit and deposit schemes. It also goes for Corporate and Retail Banking etc. The Bank also participated in fund association with other Banks. Through all these innumerable activities Standard Bank Limited has created a positive impact in the Market.

Vision and Mission

VisionTo be a modern Bank having the object of building a sound national economy and to contribute significantly to the Public Exchequer.

MissionTo be the best private commercial bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability.

Core values and Objectives of SBL

Our ShareholdersBy ensuring fair return on their investment through generating stable profit.

Our Customers To become most caring bank by providing the most courteous and efficient service in every area of our business.

Our EmployeesBy promoting the wellbeing of the members of the staff.

Our CommunityAssuring our socially responsible corporate entity in a tangible manner through close adherence to national policies and objective.



Objectives

- ❖ To provide high quality product and services to attract the potential customers.
- ❖ To outfit the need of its corporate clients and provides a comprehensive range of financial services to national and multinational companies.
- ❖ Act as a media of exchange.
- ❖ To contribute a gross domestic products.
- ❖ Maintain a satisfactory deposit mix.
- ❖ To help to grow entrepreneurship.
- ❖ To help to boost economic growth.
- ❖ To earn profit.
- ❖ Increase loan portfolio diversification and geographical coverage.
- ❖ To help to solve unemployment problem.
- ❖ The Bank has already co-opted technological revolution in all its spheres.

Branches of SBL

From the year 1999 to year 2014 Standard Bank Limited established 91 numbers of branches in different districts of Bangladesh. The principal Branch located in Metropolitan Chamber Building (Ground Floor), 122-124 Motijheel C/A, Dhaka 1000, and Bangladesh.

Organizational Offerings

Standard Bank Limited is always alert to the changing needs of customers and strives to develop new and improved services for its valued customers. Ban offers ,various deposit and lending products and services to meet all kinds of financial needs of customers. Such as-

- ❖ Maintain all types of accounts.
- ❖ Make investments
- ❖ Handle all types of Foreign Exchange business.
- ❖ Intend other banking sectors.

SBL also collect TITAS bill, WASA bill, Telephone bill and Electricity bill.



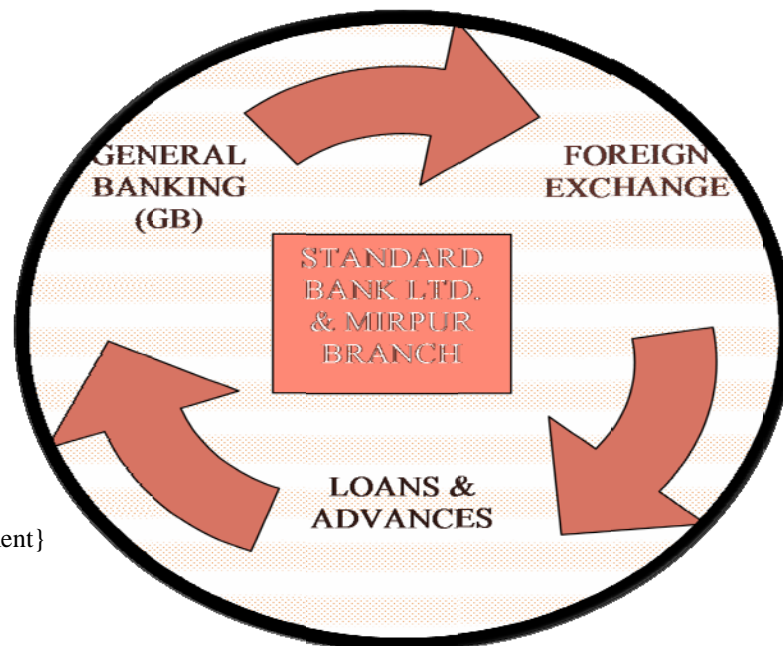
Communication intensity between Managers, Officers and Work assistants

Communication intensity between managers, assistant or the work team is moderately high. Or achieving any kind of organization goal, most of the frequently communicate with each other. They are bound to maintain frequent relationship with each other.

Major divisions of SBL

- 1) General Banking
- 2) Loan and advance Banking
- 3) Foreign Exchange Banking

Figure: Divisions of SBL



[Source: Official Document]

Management hierarchy of the Standard Bank



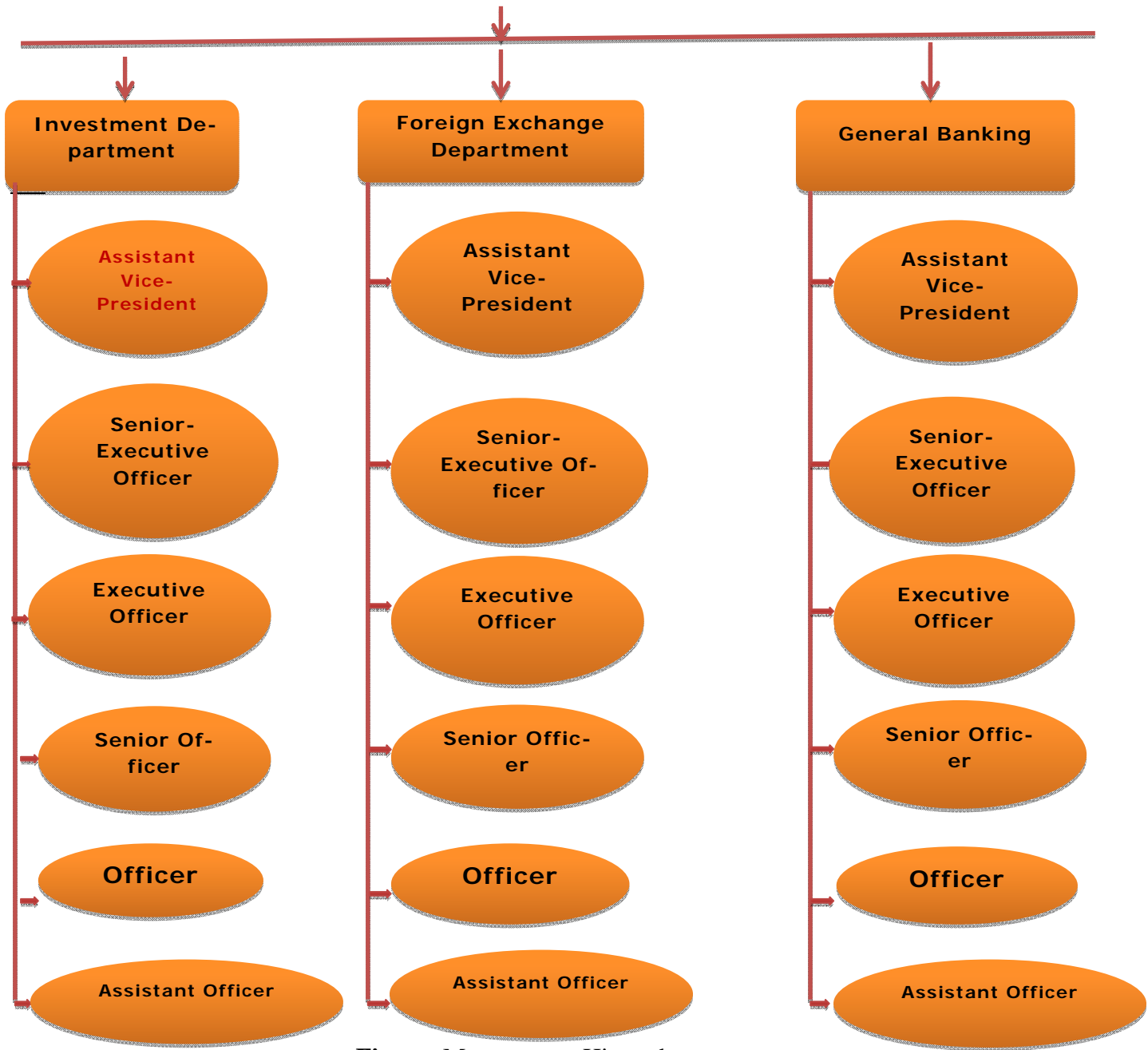


Figure: Management Hierarchy

Correspondent Banking division

The main aim of Standard bank limited is to increase its foreign exchange business and in this connection they are doing international banking with all major banks of the world. At present they are maintaining correspondent banking relationship with 23 major banks of the world.

These are:



The Hong Kong and Shanghai banking corporation. Citibank N.A., Standard chartered bank, American Express bank ltd., Mashreq bank PSC., Wcchovia bank, The bank of Tokyo-Mitsubishi ltd., Union De Banques Et Arabes Francaises, Danske bank ltd. A/S, Commerz bank, Dresdner bank, Bank Islam Malaysia Berhad, Nepal Bangladesh bank ltd., NIB bank ltd., Arab Bangladesh bank ltd., AB international finance limited, Bhutan national bank, UTI bank ltd., The bank of Nova Scotia and ICICI bank limited Habib bank Ag Zurich, Nordea bank and Samen bank.

Standard bank limited is maintaining drawing arrangement with 1(one) exchange house in the UK and another 1 (one) in the USA for inward foreign currency remittance. These 2(two) exchange house are remitting sufficient funds through our bank. We have also establish our exchange house in UAE.

OVERVIEW OF GULSHAN BRANCH

Background

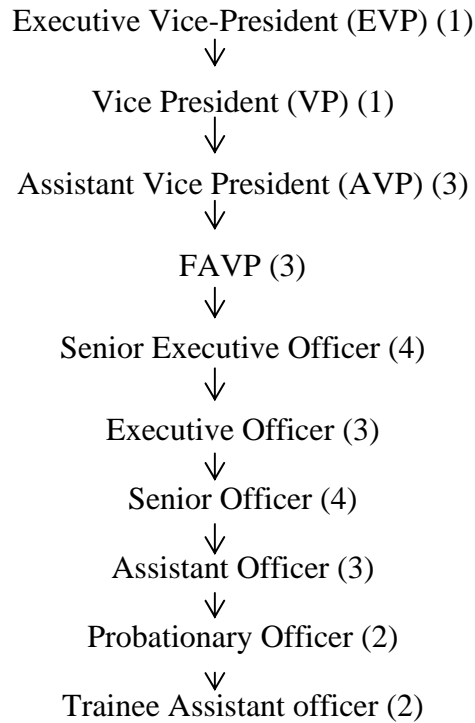
The banking sector of Bangladesh comprises of three categories of schedule banks. These are nationalized commercial banks (NCBs), private commercial banks (PCBs) and foreign commercial banks (FCBs). Private commercial banks are again divided into three categories- First generation, Second generation and Third generation. Standard bank falls into the third generation segment and undoubtedly leads its own generation. As an intern from business discipline with major in finance I have got the opportunity to work with this bank and try to put my effort to make a depth study.

Standard Bank Limited is a scheduled Bank under private sector established under the ambit of Bank Company Act, 1991 and incorporated as a public limited company under Companies Act, 1994. The Bank started commercial banking operations effective from June 06, 1999. During this short span of time the Bank had been successful to position itself as a progressive and dynamic financial institution in the country.

The positional hierarchy of Standard Bank Limited, Gulshan Branch is given below:



The Positional Hierarchy of SBL, Gulshan Branch



Major features of this branch:

- ❖ Fully Computerized accounts maintenance
- ❖ A fully operational computer network which is currently being implemented. The work of Local Area Network (LAN) and Wide Area Network (WAN) installation having reliable and secured communication between the branches and the Head Office is in progress to facilitate any Branch Banking and ATM Services.
- ❖ Money counting machine for making cash transactions easy and prompt.

Chapter Three

FOREIGN EXCHANGE OPERATION AT SBL

Foreign Exchange

H.E. Evitt defined "Foreign Exchange" as the means and methods by which rights to wealth expressed in terms of the currency of one country are converted into rights to wealth in terms of the currency of another country.



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. Governments' Import & Export policy is another important factor for import and export operation of banks.

Letter of Credit (L/C)/ Documentary Credit Operation

The English name "Letter of credit" derives from the French word "accreditation", a power to do something, which in turn is derivative of the Latin word "accreditivus", meaning trust. This applies to any defense relating to the underlying contract of sale. This is as long as the seller performs their duties to an extent that meets the requirements contained in the letter of credit.

Letter of Credit (L/C) can be defined as a "Credit Contract" whereby the buyer's bank is committed (on behalf of the buyers) to place an agreed amount of money at the seller's disposal under some agreed conditions. Since the agreed conditions include amongst other things, the presentation of some specified documents, the letter of credit is called Documentary letter of credit

The Uniform Customs and Practices for Documentary Credit (UCPDC) published by International Chamber of Commerce (1993) publication no 500 define Documentary Credit:

- ... Any arrangement however named or described whereby a bank (the issuing bank) acting at the request and on the instructions of a customs (the Applicant) or on its own behalf.
- ... Is to make a payment to or to the order of a third party (the beneficiary) or is to accept and pay bills of exchange (Drafts) drawn by the beneficiary.
- ... Authorize another bank to effect such payment or to accept and pay such bills of exchange (Drafts).

Types of Documentary Credit/ Letter of Credit



Figure: Types of Credit

☒ Revocable Letter of Credit

This type of letter of credit can be revoked or cancelled at any time without consent of, or notice to the beneficiary. As per article 8 (a) of UCPDC-500 "A revocable credit may be amended or cancelled by the issuing bank at any moment and without prior notice to the beneficiary". 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 Letter of Credit

An irrevocable credit is a documentary credit, which cannot be revoked, varied or changed/amended or cancelled without the consent of all parties- buyer (Applicant), seller (Beneficiary), Issuing Bank, and Confirming Bank (in case of confirmed L/C). As per Article 9(a) of UCPDC 500, an irrevocable credit constitutes a definite undertaking of the



Issuing Bank, provided that the stipulated documents are presented to the Nominated Bank or to the Issuing Bank and that the terms and conditions of the credit are complied with. Irrevocable Credit gives the seller greater assurance of payments, but he/she remains dependent on an undertaking of a foreign bank.

Classification of Letter of Credits

Documentary Credit or letter of credit is nothing but a letter of assurance of payment. This assurance of payment is made by the bank. It is an arrangement under which the bank at the request of the buyer undertakes to make payment to the seller provided specified documents are submitted.

Documentary Credit is an arrangement whereby a bank (issuing bank) acting at the request and on the instruction of a customer (the applicant) or on its own behalf undertakes to make payment to or to the order of a third party (the beneficiary) or to accept and pay bills of exchange (draft) drawn by the beneficiary, or authorize another bank to negotiate against stipulated documents provided the terms and conditions to the credit are complied. Thus, Documentary Credits are akin to bank guarantees. In popular language, they are known as Letters of credit (L/Cs). Bank guarantees are, however, issued to cover situation of non-performance whereas documentary credits are issued on behalf of the buyer to cover situation of performance, i.e., the issuing bank agrees to make payment to the beneficiary once he surrenders the requisite complying documents. Thus, Documentary Credit offers a unique and universally used method of achieving a commercially acceptable arrangement by providing for payment to be made against complying documents that represent the goods and making possible the transfer of those

CASH L/C

Cash L/C denotes that, the payment is paid in cash. In other words, after shipment, the applicant makes payment to the beneficiary through L/C.

... At Sight



In case of At Sight, the payment is paid after checking all the documents. Mainly the payment is made instantly. That means, when bank advice at sight L/C, bank check all the documents and then make payment to the exporter. AT SIGHT means when the Seller sends all the shipping documents to his bank, they in turn, send them to Buyer's bank, at this point in time, Buyer's bank will pay the Sellers Bank But At sight does not always mean, Buyer's bank pay when they have all the document AT (their) SIGHT, under UCP 500; Buyer's bank formally has 7 working days to scrutinize and review the document. If there is no discrepancy found within 7 working days, then Buyer's bank has to pay.

... Deferred L/C

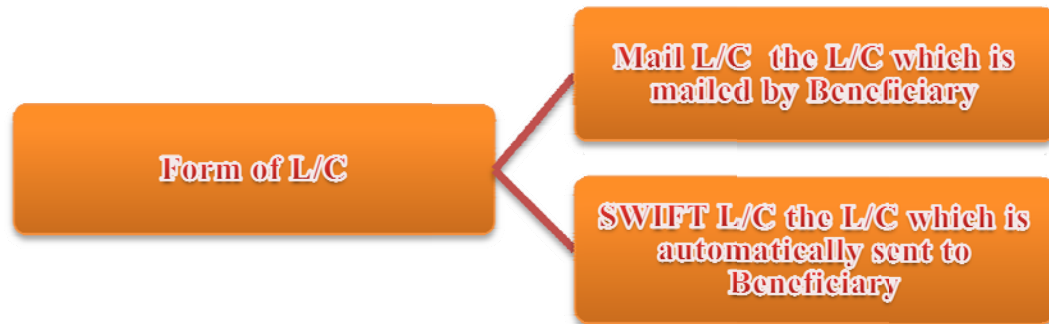
A letter of credit that allows the buyer to take possession of goods by agreeing to pay the issuing bank or the confirming bank at a fixed future date. That is paid a fixed number of days after shipment or presentation of prescribed documents. It is used where a buyer and a seller have close working relationship because, in effect, the seller (beneficiary of the L/C) is financing the purchase by allowing the buyer a grace period for payment. It differs from a sight draft or time draft in that no drafts are involved but the payment is guaranteed on the stated date. However, there being no draft, the beneficiary party's ability to discount or sell his or her right to payment is restricted.

BACK TO BACK L/C

Arrangement in which one irrevocable L/C serves as the collateral for another; the advising bank of the first L/C becomes the issuing bank of the second L/C. In contrast to a 'transferable letter of credit,' permission of the ultimate buyer (the applicant or account party of the first L/C) or that of the issuing bank, is not required in a back-to-back L/C. It is used mainly by middlemen (intermediaries) to hide the identity of the actual supplier or manufacturer. Also called counter credit or credit. The difference between Back To Back letters of Credit and transferable letters of Credit is such that in a Transferable Letter of Credit, the rights under the existing Letter of Credit are transferred.



FORM OF L/C



MAIL L/C

The L/C that comes in mail is called, Mail L/C.

SWIFT L/C

SWIFT stands for Society for Worldwide Interbank Financial Telecommunication, and is a bank group which has set-up global standards for sending and receiving authenticated instructions for wire transfers and letters of credit. SWIFT is increasingly replacing the tested telex. Some letters of credit are sent by tested telex.

Chapter Four

FOREIGN EXCHANGE

About Foreign Exchange

Foreign Exchange Department is an international department of the bank. It deals with globally and facilitates international trade through its various modes of services. It bridges between im-



porters and exporters. Bangladesh Bank issues license to scheduled banks to deal with foreign exchange. These banks are known as Authorized Dealers. If the branch is authorized dealer in foreign exchange market, it can remit foreign exchange from local country to foreign country. This department mainly deals with foreign currency. This is why this department is called foreign exchange department.

H.E. Evitt defined "Foreign Exchange" as the means and methods by which rights to wealth expressed in terms of the currency of one country are converted into rights to wealth in terms of the currency of another country.

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. Governments' Import & Export policy is another important factor for import and export operation of banks.

Foreign Exchange Operation of SBL

One of the largest businesses carried out by the commercial bank is foreign trading. The trade among various countries falls for close link between the parties dealing in trade. The situation calls for expertise in the field of foreign operations. The bank, which provides such operation, is referred to as rendering international banking operation. Mainly transactions with overseas countries are respects of import; export and foreign remittance come under the preview of foreign exchange transactions. International trade demands a flow of goods from seller to buyer and of payment from buyer to seller. In this case the bank plays a vital role to bridge between the buyer and seller.

In the SBL (Gulshan Branch) there are ten peoples working continuously with great effort and teamwork there are quite efficient skill and talented the above jobs are performed in foreign exchange department. The Bangladesh Bank and the respected AVP of this section control them. They believe in teamwork and extreme hard work.

Foreign exchange department of SBL



- ❖ Export Department
- ❖ Import Department
- ❖ Remittance Department

Here is the hierarchy of foreign exchange department:

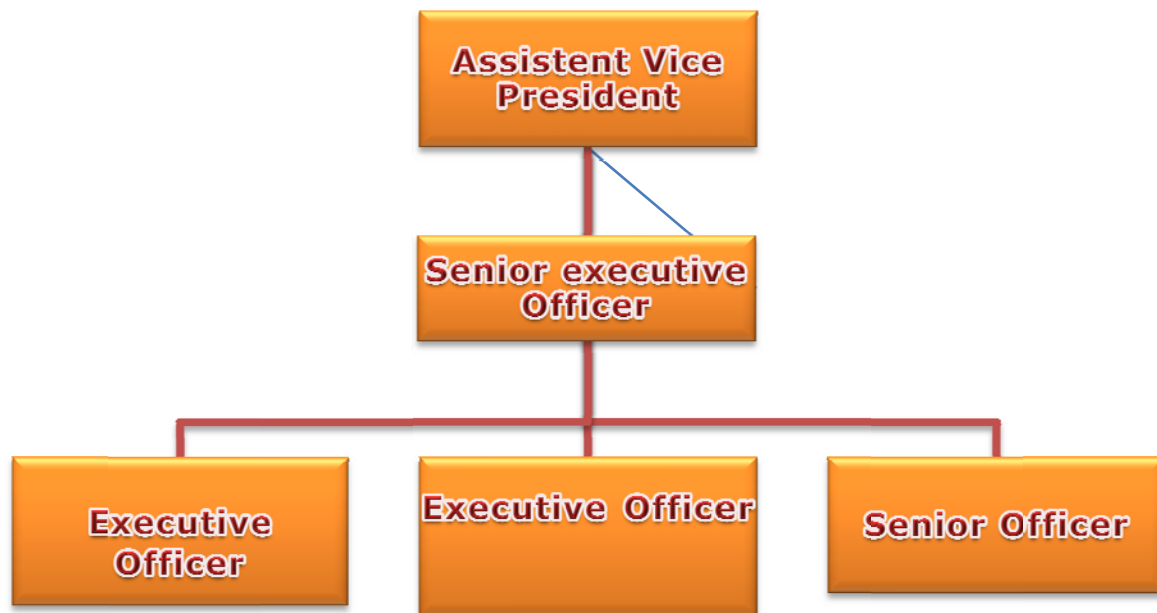


Figure: Foreign exchange department of SBL

Export Department

In the Export L/C session mainly L/C is the confirming from the Bank that, if the importer fails to make payment to the exporter, then the bank will pay the exporter on behalf of the importer. The exporter can lien the L/C to bank and can get the payment before the L/C expire date. Here the bank cuts charges for it, and that is the bank profit. The step that follows to handle the export L/Cs is:



Figure: Export L/C Process

EXPORT INCENTIVE

A. Financial Incentive :

- ... Restructuring of Export Credit Guarantee Scheme;
- ... 50% tax rebate on export earnings Duty draw back;
- ... Bonded warehouse facilities to 100% export oriented firms
- ... Duty free import of capital equipment for 100% export oriented firms.



B. General Incentive

- ... National Export Trophy to successful exporters;
- ... Training course on external trade;
- ... Arrangement of international trade fairs, commodity-based exhibitions in the country
- ... and participation in foreign trade fairs;

C. Other Incentive

- ... Assistance in improvement of quality and packaging of exportable items;

EXPORT PROCEDURE

There are a number of formalities, which an exporter has to fulfill before and after shipment of goods. These formalities or procedures are enumerated as follows, -

☞ Obtaining Export Registration Certificate (ERC):

No exporter is allowed to export any commodity permissible for export from Bangladesh unless he is registered with Chief Controller of Imports and Exports (CCI & E) and holds valid Export Registration Certificate (ERC). After applying to the CCI&E in the prescribed form along with the necessary papers, concerned offices of the Chief Controller of Imports and Exports issues ERC. Once registered, exporters are to make renewal of ERC every year.

☞ Securing the order:

After getting ERC, the exporter may proceed to secure the export order. He can do this by contracting the buyers directly through correspondence.

☞ Obtaining EXP: After having the registration, the exporter applies to SBL with the trade license, ERC and the Certificate from the concerned Government Organization gets EXP. If the bank is satisfied, an EXP is issued to the exporter.



☞ Signing of the contract:

After communicating with buyer the exporter has to get contracted for exporting exportable items from Bangladesh detailing commodity, quantity, price, shipment, insurance and mark, inspection, arbitration etc.

☞ Receiving the Letter of Credit:

After getting contract for sale, exporter should ask the buyer for Letter of Credit clearly stating terms and conditions of export and payment.

After receiving L/C, the following points are to be looked for:

- ... The terms of the L/C are in conformity with those of the contract.
- ... The L/C is an irrevocable one, preferably confirmed by the advising bank.
- ... The L/C allows sufficient time for shipment and a reasonable time for registration.
- ... If the exporter wants the L/C to be transferable, divisible and advisable, he should ensure those stipulations are specially mentioned in the L/C.

ENDORSEMENT ON EXP

Before the exporters with the customs/postal authorities lodge the export forms, they should get all the copies endorsed by SBL. Before shipment, exporter submits exp. form with commercial invoice. Then SBL officer checks it properly, if satisfied, certifies the exp. without it, exporter he cannot make shipment. The customer must declare all exports goods on the EXP issued by the authorized dealers.

Disposal of Export Forms:

- ... Original: customs authority reports first copy of EXP to Bangladesh Bank after shipment of the goods.
- ... Duplicate: Negotiating bank reports the Duplicate to Bangladesh Bank in or after negotiation date but not later than 14 days from the date of shipment.
- ... Triplicate: on realization of export proceeds the same bank to the same authority reports Triplicate.



... Quadruplicate: Finally, the negotiating bank as their office copy retains Quadruplicate.

SHIPMENT OF GOODS

Exporter makes shipment according to the terms and condition of L/C.

PRESENTATION OF EXPORT DOCUMENTS FOR NEGOTIATION

After shipment, exporter submits the following documents to SBL for negotiation.

- ... Bill of exchange or Draft.
- ... Bill of Lading
- ... Invoice
- ... Insurance Policy/Certificate
- ... Certificate of origin
- ... Inspection Certificate
- ... Consular Invoice
- ... Packing List
- ... Quality Control Certificate
- ... G.S.P. certificate
- ... Photo - Sanitary Certificate.

CASH AGAINST DOCUMENT (CAD) CONTRACT

In lieu of export LC export can also be made against execution of contract of sale and purchase between the buyer and seller. Usually a CAD contract is made in case of exporting Jute goods.

There are some Bangladesh Jute Mills Corporation (BJMC) enlisted intermediary firms. They make CAD contract with the importer. Some intermediary firms the client of SBL. After making contract, the intermediary firm (original exporter) purchases jute from a jute mill.



Then, the jute mill's bank usually an NCB sends forwarding with the following documents to SBL

- ... Commercial invoice made by the jute mill
- ... Bill of exchange drawn on exporter payable to jute mills bank (authorized that bank as " pay to the order of SBL ")
- ... Mills specification
- ... EXP form - triplicate and quadruplicate on which seal and signature of authorized officer of the jute mill's bank is given.

EXAMINATION OF DOCUMENT

Banks deal with documents only, not with commodity. As the negotiating bank is giving the value before repatriation of the export proceeds it is advisable to scrutinize and examine each and every document with great care whether any discrepancy(s) is observed in the documents. The bankers are to ascertain that the documents are strictly as per the terms of L/C Before negotiation of the export bill. Bank officers assigned for examining the export documents may use a checklist for their convenience.

Import Department

Import L/C is handled by Mr. Sanjoy Dutta (Senior Executive. officer). When L/C comes from the applicant, he checks all the terms & condition of the L/C & also check the validity of the L/C. L/C may come from SWIFT/ TELEX. Each of them creates different charges for the clients. L/C can be deferred or at sight. In brief the Import process..

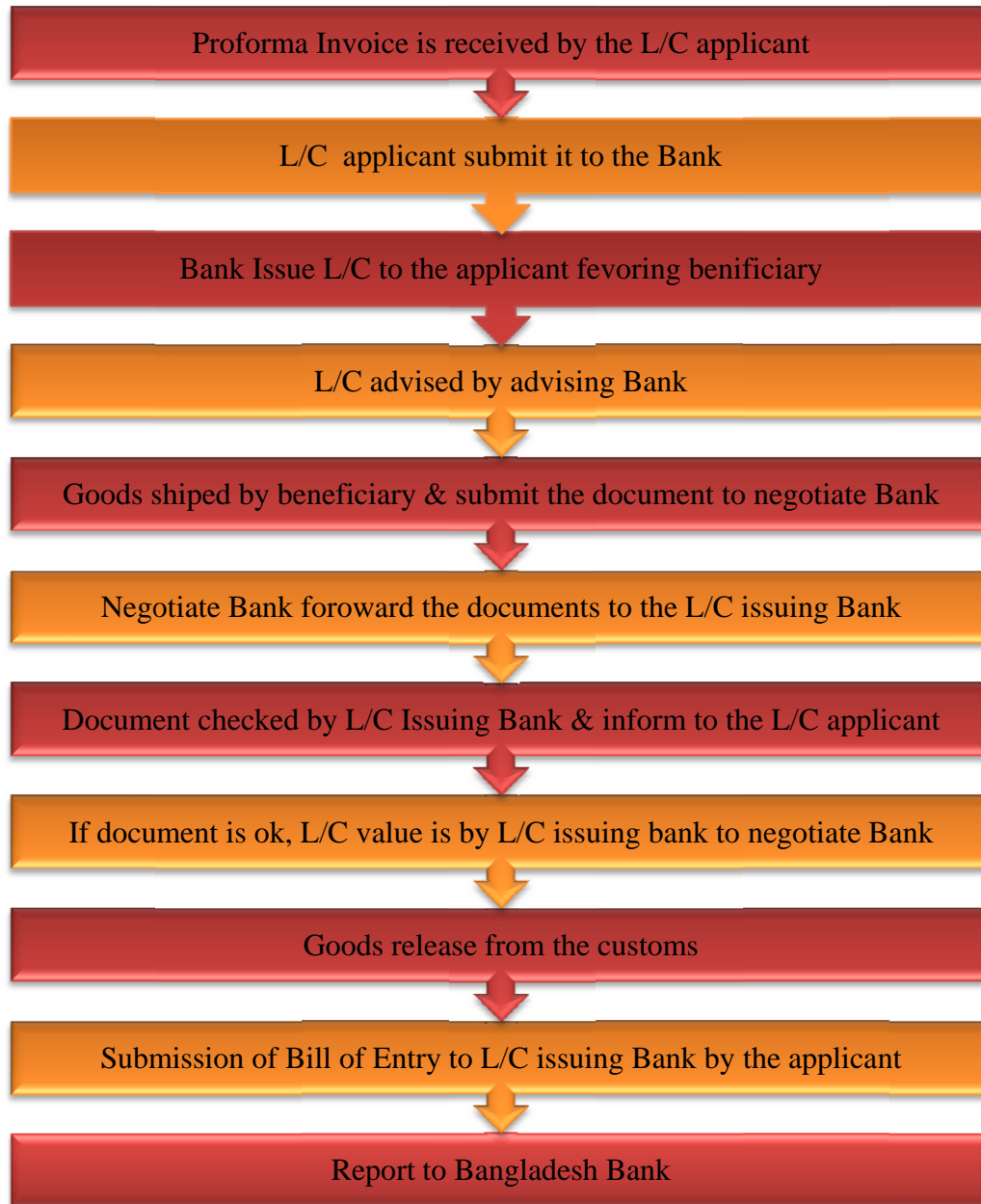


Figure: Import Process.

STEPS IN AN IMPORT LETTER OF CREDIT TRANSACTION

The Sales Contract

The sales contract is the formal agreement between the buyer and seller specifying the terms of sale that both parties have agreed upon. The contract should include: a description of the goods;



the amount; the unit price; the terms of delivery; the time allowed for shipment and presentation of documents; the currency; and the method of payment.

Application & Agreement

The bank's letter of Credit application and agreement forms, when executed, constitute a payment and reimbursement contract between the issuing bank and its customer. It is also the customer's instruction to the issuing bank. The letter of Credit must be issued exactly in accordance with the customer's instructions; therefore, it is important that the application be completed fully and accurately, so as to avoid the inconvenience of having to have the letter of Credit amended. The agreement constitutes an undertaking by the customer to reimburse the issuing bank for drawings paid in accordance with the terms of the letter of Credit and normally takes the form of an authorization to debit the customer's account

An importer will request banker to open L/C along with the following documents

- ... An application
- ... Indent or Pro forma Invoice
- ... Import Registration Certificate (IRC)
- ... Taxpayer's Identification Number (TIN)
- ... Insurance cover note with money receipt
- ... A bank account in SBL.
- ... Membership of chamber of commerce

L/C APPLICATION FORM (LCAF):

L/C Application Form is a sort of an agreement between customer and bank on the basis of which letter of credit is opened SBL; Main Branch provides a printed form for opening of L/C to the importer. Special paste stamp of value Tk. 300.00 is affixed on the form in accordance with



Stamp Act. While opening, the stamp is cancelled. Usually the importer expresses his decision to open the L/C quoting the amount of margin in percentage.

Usually the importer gives the following information

- ... Full name and address of the importer
- ... Full name and address of the beneficiary
- ... Draft amount
- ... Availability of the credit by sight payment/acceptance/negotiation/deferred payment
- ... Time bar within which the documents should be presented
- ... Sales type (CIF/FOB/C&F)
- ... Brief specification of commodities, price, quantity, indent no. etc.
- ... Country of origin
- ... Bangladesh Bank registration number
- ... Import License/LCAF number
- ... IRC number
- ... Account number
- ... Documents number
- ... Insurance Cover Note / Policy number, date, amount
- ... Name and address of Insurance Company
- ... Whether the partial shipment is allowed or not
- ... Whether the transshipment is allowed or not
- ... Last date of shipment
- ... Last date of negotiation
- ... Other terms and conditions (if any)
- ... Whether the confirmation of the credit is requested by the beneficiary or not.
- ... The L/C application must be completed/filled in properly and signed by the authorized person of the importer before it is submitted to the issuing bank.

ISSUANCE OF THE LETTER OF CREDIT



The issuing bank prepares the letter of Credit as specified in the application and forwards it by tele-transmission or airmail to the advising bank, (a branch or correspondent of the issuing bank). The issuing bank instructs the advising bank as to whether or not to add its confirmation, as per their customer's directions.

ADVISING

The advising bank forwards the letter of Credit to the beneficiary (seller) stating that no commitment is conveyed on its part. If the advising bank has been asked to confirm the L/C and agrees to do so, it will incorporate a clause undertaking to honor the beneficiary's drafts.

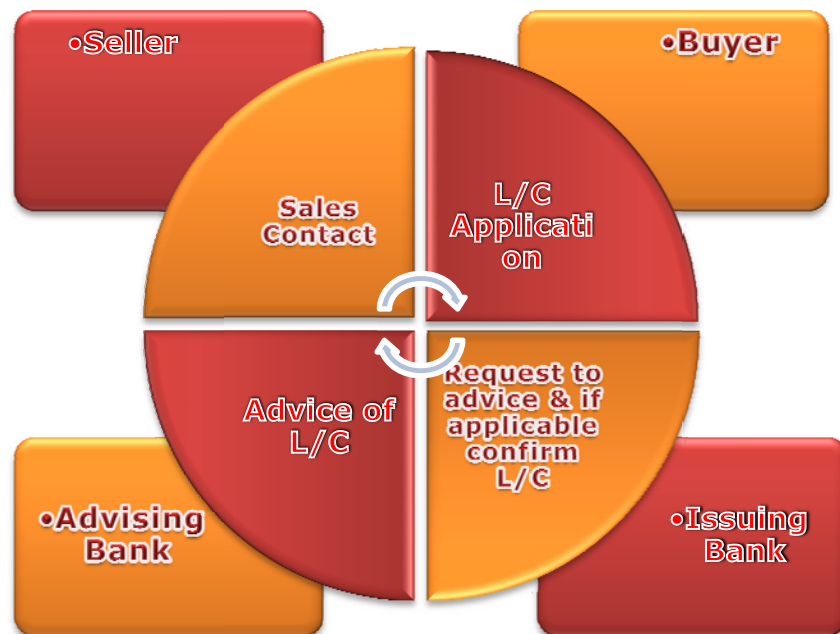


Figure: Advising Process

LOCAL OR BACK TO BACK L/C:

Local or Back to back L/C is handled by ShahanaAkhter. At first we have to understand what is Back to Back or Local L/C. If the Exporter Exports the garments products as shirt, then he have to also purchase the bottom, logo, tag, yarn etc for the shirt. And in this case, if the exporters have not enough money to purchase that, then the Bank help the exporter to purchase the acces-



sories by lien the L/C. 75% of master L/C can be a lien as Back to Back L/C. 100% of master L/C cannot be the Back to Back L/C because, there will be no profit if 100% value is used in purchasing raw material. So here 25% is the profit of the exporter or to perform the other maintenance costs, Labor costs etc. There are 4 parties in Back to Back L/C.



Figure:4 Parties Back to back L/C

The Diagram says that, the applicant give order to purchase accessories to the Beneficiary through Standard Bank, SBL open the L/C and send it to the Beneficiary's negotiating bank. After receiving the raw materials, applicant makes payment to the Negotiate bank through opening bank. The beneficiary receives the payment from the Negotiate bank. Another term in case of Local/Back to Back L/C is "Purchase". Purchasing of L/C means that, the local L/C can be lien to bank & take the payment before expire date of the L/C. The Exporter when open an L/C to purchase the raw materials, then the Exporter becomes the applicant in that case & the supplier of the raw materials becomes the beneficiary. The L/C has an expire date with in which the beneficiary have to supply the products to the applicant. And after receiving the products, the applicant makes payment to the beneficiary. The beneficiary can get the L/C value before the L/C expire date through purchasing the back to back L/C. Here Bank purchases the 75% to 95% of total L/C value. Here Bank cuts some charges like, advising charge, postage charge etc. When the purchase amount is below \$10,000 then the total charge is BDT 675, and when the purchase amount is above \$10,000 then the total charge is BDT 1200.

The total process of Back to Back L/C from opening to purchasing is given below

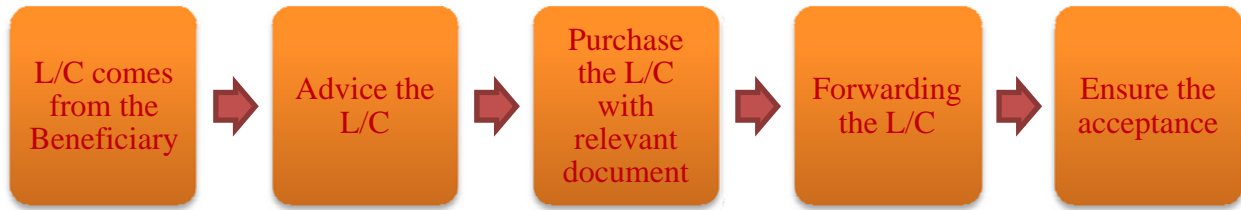


Figure: Total Back to Back L/C process.

Remittance Department:

On March 24, 1994 Bangladesh Taka was declared convertible for Current account International Transaction. As a prelude to this wide-ranging reforms were made in the country's foreign exchange regime to lay the ground for a market friendly environment to induce investment, growth and productivity. Following liberalization under convertibility, most remittances are now approved by the Authorized Dealers themselves on behalf of the Central Bank. Only a few remittances of special nature require Bangladesh Bank's prior approval.

Standard Bank Limited maintains a strong network with the Overseas Exchange Companies & Banks in different parts of the world ensuring better remittance services for its customers. The following are the list of Overseas Exchange companies/Banks having arrangement with Standard Bank Bangladesh Limited.

Remittance sector is also controlled by Md. IqbalHossain. In Standard Bank (Mirpur Branch) there is several exchange companies used for remittance. The list is given below:

<u>SL</u>	<u>NAME OF EXCHANGE COMPANY</u>	<u>LOCATION</u>
01	Wall Street Exchange Centre	UAE
02	Rupali Exchange (Europe) LTD	UK
03	National Wxchange Company, S.L.R	Italy
04	Al Ahlia Money Exchange Bereau	UAE



05	SN money Exchange LTD	UK
06	Economic Exchange Centre	UAE
07	Maniflo Money Exchange Ltd	USA
08	Bangladesh Money Exchange	Canada
09	Global Exchange Italia Sri, Italy	Italy
10	Al-Zaman Exchange	Qatar
11	Asia Pacific Foreign Exchange	Canada
12	Trust Exchange UK Ltd	UK
13	Xpress Money Services	Global
14	Western Union Money Transfer	Global

Table:List of Exchange Companies.

Western Union Money transfer & Xpress Money Services are popularly used. In case of Western Union, there is used 10 digit code, & in Xpress Money Services, 16 digit codes are used. In case of other services, there is used 8 digit code. In case of Western Union Money Transfer, The client should have to show the following documents:

- ❖ Valid Passport. Or
- ❖ National ID Card. Or
- ❖ Driving License. Or
- ❖ Certificate from the commissioner

After checking all the documents, authority gives Western Union form to the client. After filling the form by the client, He transfers the information in the Western Union Software. Then receive the 10 digit code number from the client & then give money to the client. Then he keeps the records in a Remittance Register.

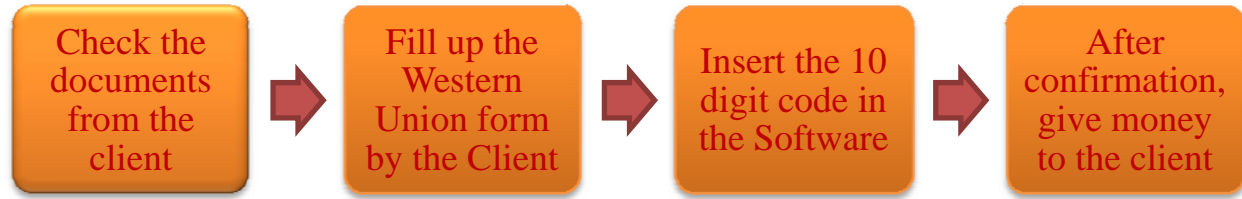


Figure: Remittance Process.

OUTWARD REMITTANCE

The term "Outward remittances" include not only remittance i.e. sale of foreign currency by TT, MT, Drafts, Traveler'scheque but also includes payment against imports into Bangladesh & Local currency credited to Non-resident Taka Accounts of Foreign Banks or Convertible Taka Account. Two forms are used for Outward Remittance of foreign Currency such as: IMP Form & TM Form.

INWARD REMITTANCE

The term" Inward Remittance" includes not only purchase of Foreign Currency by TT, MT, Drafts etc. but also purchases of bills, purchases of Traveler's cheques. Two forms as prescribed by Bangladesh Bank are used for purchase of Foreign Currencies such as.

EXP Form: Remittances received against exports of goods from Bangladesh are done by form EXP.

Form C: Inward remittances equivalent to US\$2000/- and above are done by Form" C". However, declaration in Form C is not required in case of remittances by Bangladesh Nationals working abroad.

Utmost care should be taken while purchasing Currency Notes, Travelers cheque, Demand Draft & similar Instrument for protecting the bank from probable loss as well as safety of the Bank officials concerned.

Different Accounts in L/C Operation

I just want to discuss this very briefly. There are four types of account. Those are,



Nostro Account:Nostro account means "our account with you". A Nostro account is a foreign currency account of a bank maintained its foreign correspondents abroad.

Vostro Account: Vostro account means "your account with us". The account maintained with foreign correspondent in a bank of a particular country is known as Vostro account.

Loro Account: Loro account means "their account with you". Account maintained by third party is known as loro account.

Loan against Imported Merchandise (LIM):SBL create Advance against the security of merchandise imported through the Bank may be allowed either on pledge or hypothecation of goods, retaining margin prescribed on their Landed Cost, depending on their categories and Credit Restriction imposed by the Bangladesh Bank. Bank shall also obtain a letter of undertaking and indemnity from the parties, before getting the goods cleared through LIM Account.

Parties involved in L/C Operation

The documentary credit is an essential implement for conducting world trade today. With the third party assurance the whole process is covered. Documentary credit substantially reduces payment related risks for both exporter and importer. So in the whole L/C operation there are many parties involved. They are-

- ... Importer/Applicant
- ... Issuing Bank/Opening Bank
- ... Advising Bank
- ... Beneficiary/Exporter/Seller
- ... Negotiating Bank
- ... Reimbursing Bank
- ... Confirming Bank

IMPORTER/APPLICANT

An importer is one who wants to import goods from other country. In terms of the Importers (Registration) Order-1981 no person can import goods into Bangladesh unless he is with the



Chief Controller of Import and Export (CCI &E). He is also called applicant. The bank opened L/C on the importer's application.

ISSUING BANK/OPENING BANK

The bank which opens L/C on behalf of the importer is called issuing bank. Issuing bank's obligation is to make payment against presentation of documents drawn strictly as per terms of L/C.

ADVISING BANK

The bank through which the L/C is advice / forwarded to the beneficiary. It is situated in the beneficiary's country. The most important function of this bank is to make sure the beneficiary about the authenticity of the documents.

BENEFICIARY/EXPORTER/SELLER

Beneficiary is the party in whose favor the L/C is issued. Usually he is the seller or exporter.

NEGOTIATING BANK

The bank that negotiates the bill of exporter drawn under the credit is known as negotiating bank. If the advising bank is also authorized to negotiate the bill drawn by the exporter, he becomes the negotiating bank.

REIMBURSING BANK

The bank nominated in the credit by the issuing bank to make payment stipulated in the document, complying with the reimbursement bank. In reimbursing bank the issuing bank maintains its nostro account

CONFIRMING BANK

Confirming bank is a bank that adds its confirmation to the credit and it is done at the request of the issuing bank. It provides the credit report of the exporter of his country. If the advising bank also adds its own undertaking to honor the credit while advising the same to the beneficiary, he



becomes the confirming bank, in addition, becomes liable to pay for documents in conformity with the L/C's terms and condition.

Documents required under a Letter of Credit:

There is no limit to the number and variety of documents which letters of credit may stipulate. The following is a list of documents most commonly seen in a letter of credit transaction. Each document is described in brief with a check-list for preparing the document.

DRAFT:

A draft is a bill of exchange and a legally enforceable instrument which may be regarded as the formal evidence of debt under a letter of credit. Drafts drawn at sight are payable by the drawee on presentation. Term (usance) drafts, after acceptance by the drawee, are payable on their indicated due date.

COMMERCIAL INVOICE

The commercial invoice is an itemized account issued by the beneficiary and addressed to the applicant, and must be supplied in the number of copies specified in the letter of credit.

BILL OF LADING

A bill of lading is a receipt issued by a carrier for goods to be transported to a named destination, which details the terms and conditions of transit. In the case of goods shipped by sea, it is the document of title which controls the physical custody of the goods

AIR WAYBILL



An air waybill is a receipt issued by an air carrier indicating receipt of goods to be transported by air and showing goods consigned to a named party. Being a non-negotiable receipt it is not a document of title.

INSURANCE POLICY OR CERTIFICATE

Under the terms of a GIF contract, the beneficiary is obliged to arrange insurance and furnish the buyer with the appropriate insurance policy or certificate. The extent of coverage and risks should be agreed upon between the buyer and seller in their initial negotiations and be set out in the sales contract

PACKING LIST

A packing list is usually requested by the buyer to assist in identifying the contents of each package or container. It must show the shipping marks and number of each package. It is not usually required to be signed.

MODE OF PAYMENT OF EXPORT BILL UNDER L/C

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

☒ Sight Payment Credit

In a Sight Payment Credit, the bank pays the stipulated sum immediately against the exporter's presentation of the documents.

☒ Deferred payment Credit



In deferred payment, the bank agrees to pay on a specified future date or event, after presentation of the export documents. No bill of exchange is involved. In SBL, payment is given to the party at the rate of D.A 60-90-120-180 as the case may be. But the Head office is paid at T.T clean rate. The difference between the two rates is the exchange trading for the branch.

Trend Analysis

Trend analysis is an important tool, which can be used to evaluate the performance of a Bank. The trend can represent the growth or turn down of a bank over a period of time. Here analyzed the different term which is related to the foreign exchange business of SBL.

Chapter Five

ANALYSIS OF FOREIGN EXCHANGE OPERATION OF STANDARD BANK LTD.

Foreign exchange department of SBL is consisting of three sections. The sections are:



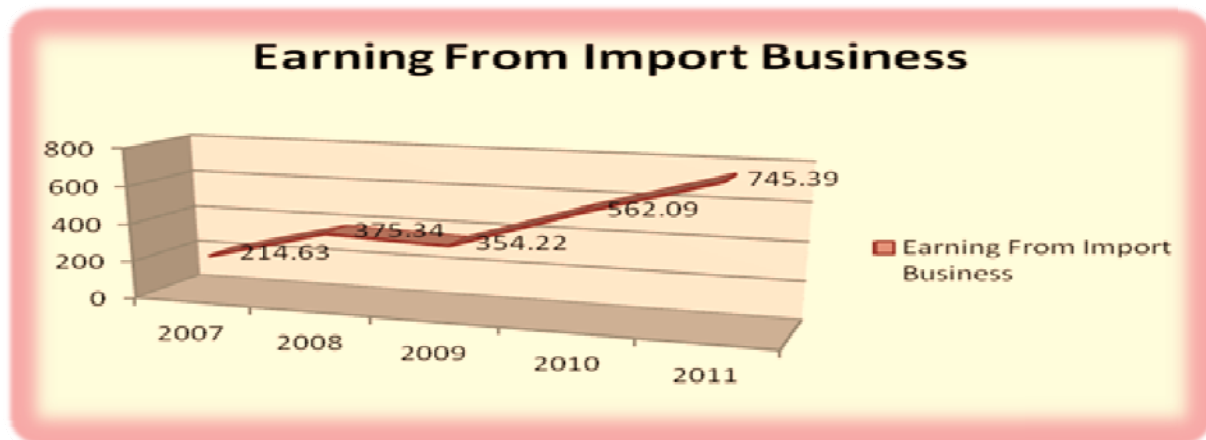
Import Department

EARNING FROM IMPORT BUSINESS

YEAR	AMOUNT IN USD (MILLION)
2007	214.63
2008	375.34
2009	354.22
2010	562.09
2011	745.39

Table:Earning from Import Business of SBL
[Source: Foreign Exchange Department of SBL]

Graphical Representation



AMOUNT OF TOTAL IMPORT IN SBL

YEAR	AMOUNT IN BDT (MILLION)
2007	26155
2008	35689
2009	40411

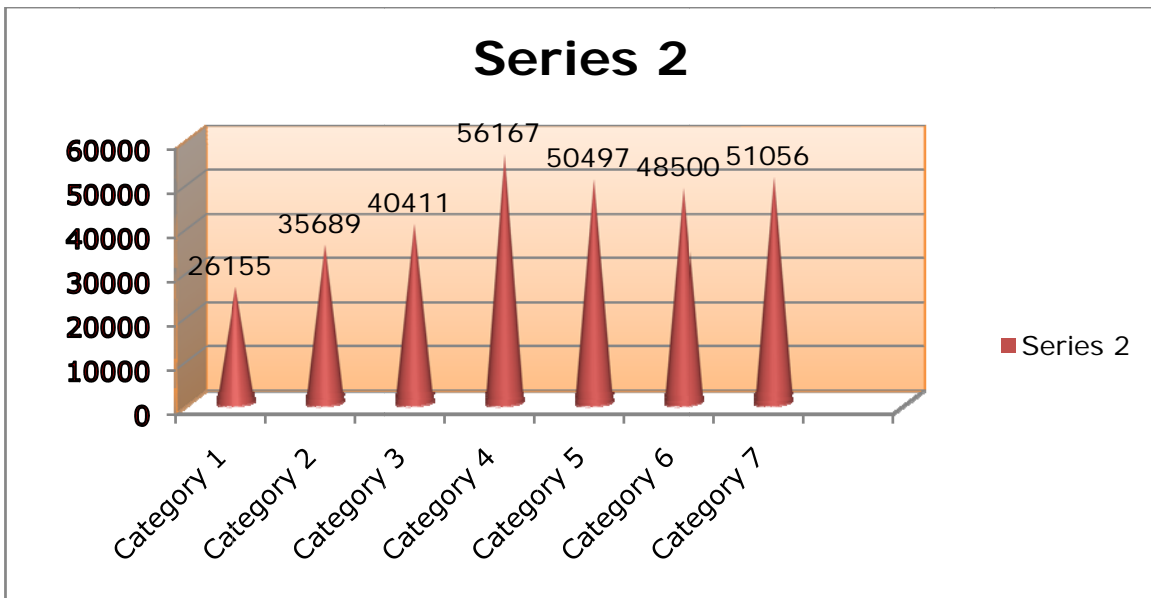


2010	56167
2011	50497
2012	48500
2013	51056

Table: Total Import amount in SBL

[Source: Annual Report]

Graphical presentation



The graph shows that the Import business of SBL increased from year 2007 to 2010. Because of economic recession import business slightly increased in 2009 than 2008 the bank earned highest amount (Tk56167 million) in 2010. But in 2012 it falls down and 2013 it increased little bit.

Export Department:

Earning from Export Business

YEAR	AMOUNT IN BDT (MILLION)
2007	118.83
2008	217.87



2009	247.59
2010	444.87
2011	614.96

Table:Total earnings from Export Business at SBL

[Source: Foreign Exchange Department at SBL]

Graphical Representation

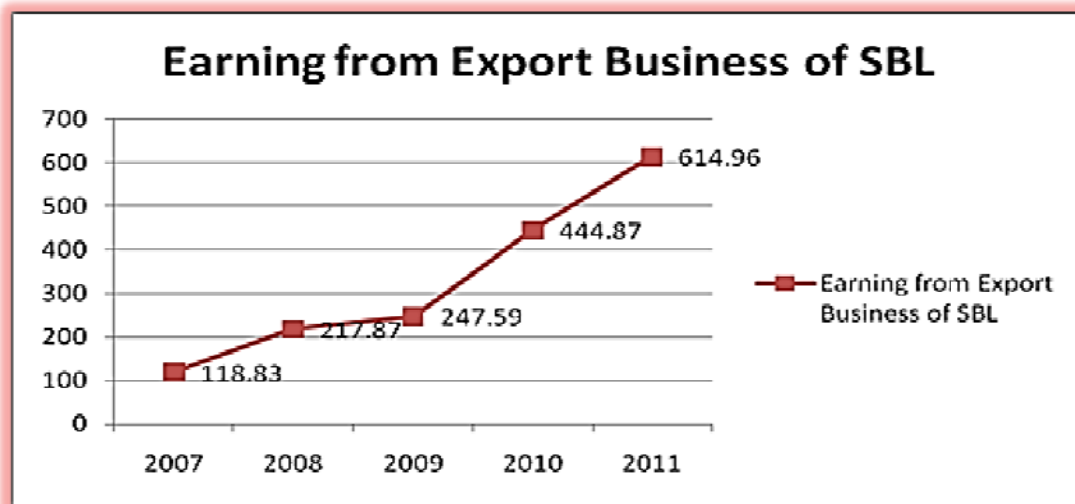


Figure:Earning from Export Business SBL.

Interpretation: From the graph, it is interpreted that the income from the export of SBL has increased from the year of 2007 to 2011 because of the increasing of export business. The income of export is highest in 2011(Tk.614.96 million) where the income was only Tk. 118.83 million in 2007.

AMOUNT OF TOTAL EXPORT BUSINESS

YEAR	AMOUNT IN BDT (MILLION)
2007	17788
2008	25072
2009	29177
2010	41919
2011	45356



2012	33967
2013	43288

Table:Export Amount of Standard Bank Ltd
[Source: Annual Report of SBL (2007-2013)]

Graphical Representation

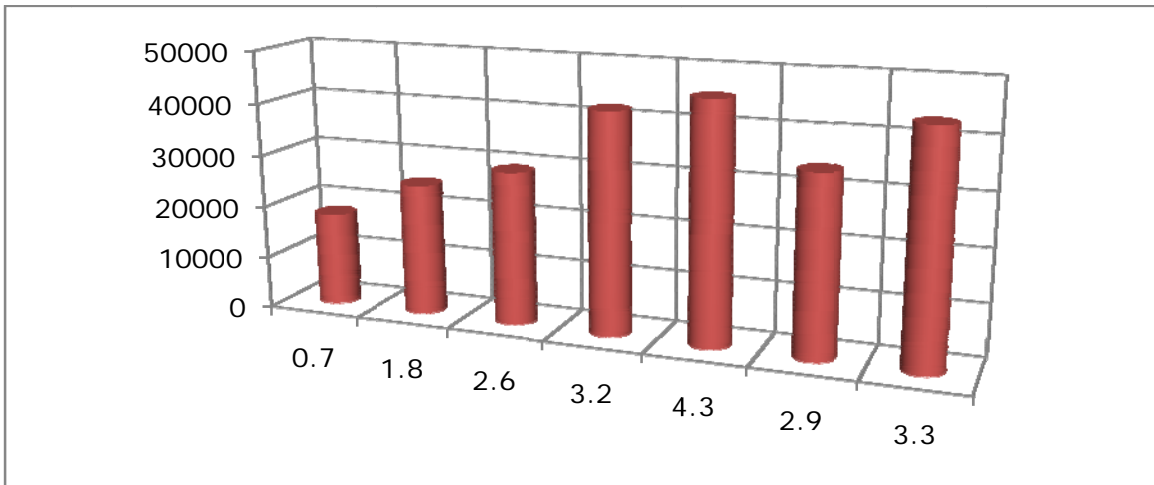


Figure: Export Amount of SBL.

Interpretation:

The graph shows that the Export business of SBL gradually increased from year 2007 to 2011 and the highest business of export of the bank was in the year of 2010 because the bank has increased their export client year by year. But 2012 and 2013 it was not so good.

PORTION OF EXPORT INCOME ON TOTAL INCOME

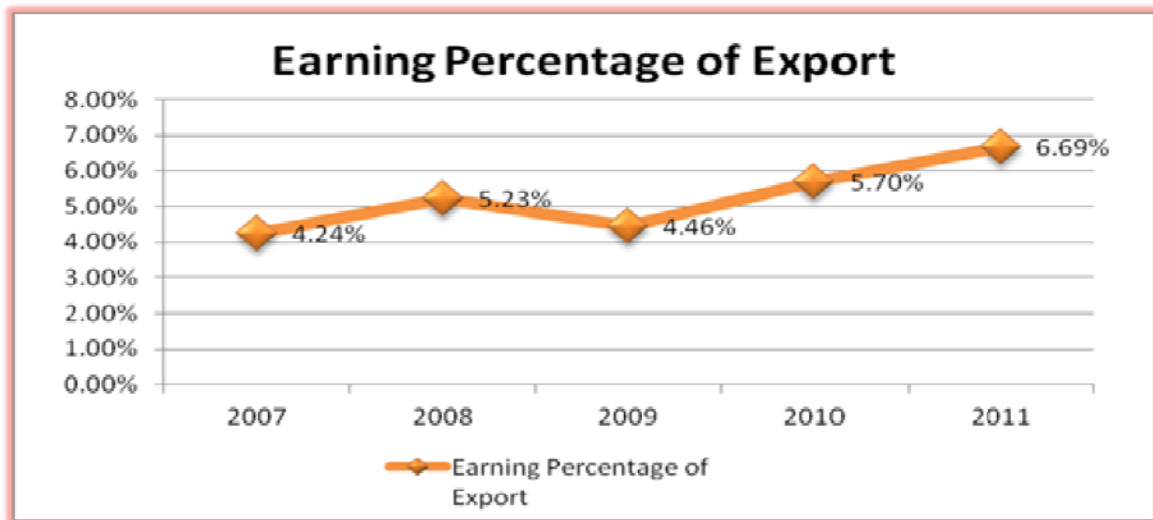
YEAR	EXPORT EARNINGS (TK. IN MILLIONS)	TOTAL INCOME (TK. IN MILLIONS)	EARNING PERCENTAGE OF EXPORT
2007	118.83	2798	4.24%
2008	217.87	4165	5.23%



2009	247.59	5546	4.46%
2010	444.87	7795	5.70%
2011	614.96	9196	6.69%

Table: Portion Of Export Income on total income

Graphical Representation



Interpretation: Above graph shows that the portion of export earning has increased but in 2009 slightly decreased for the economic recession. In 2011 export earning contribute the maximum amount during the last four years.

Foreign Remittance:

EARNING FROM FOREIGN REMITTANCE

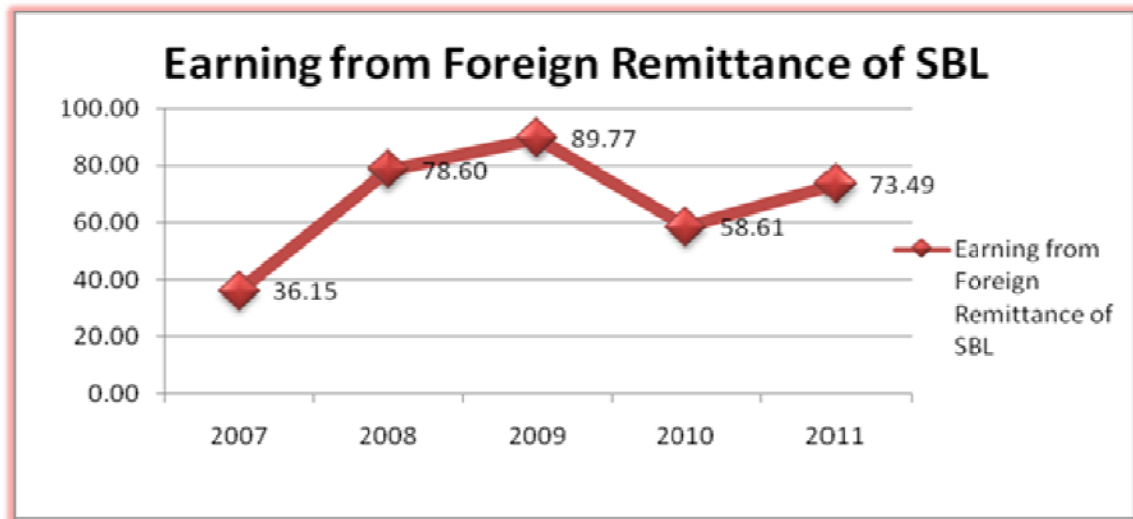
YEAR	AMOUNT IN BDT (MILLION)
2007	36.15
2008	78.6
2009	89.77



2010	58.61
2011	73.49

Table:Earning from Foreign Remittance.

Graphical Representation:



Interpretation: The impact of the fluctuation of foreign remittance business affects the earning of foreign remittance income. The income from foreign remittance also fluctuated like the foreign remittance business. The income has fallen in 2010. It was the impacts of great economic fall in 2009. Its bit by bit recover in 2011.

AMOUNT OF FOREIGN REMITTANCE OF SBL

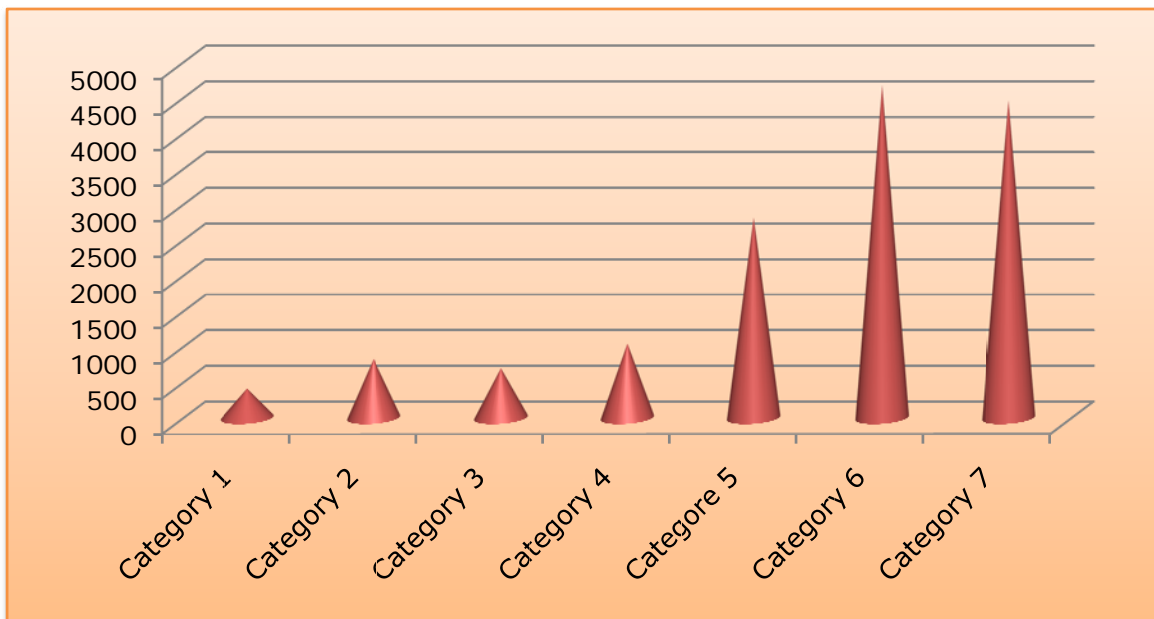
YEAR	AMOUNT IN BDT
2007	411
2008	830
2009	697
2010	1044



2011	2815
2012	4676
2013	4464

Table: Amount of Foreign Remittance.
[Source: Annual Report of SBL (2007-2013)]

Graphical Representation:



Interpretation: The foreign remittance performance of SBL was not satisfactory in 2009&2007. The remittance was increased in 2008&2010. But remarkable improvement was shown in during the last six years of 2013.

Chapter- 06

Major Findings and Recommendation

Major Findings

- ❖ Standard Bank is in a better position in respect of import business because the import business increased gradually every year. As a result the income from import business also increased every year except 2009.



- ❖ The export business has increased every year during last seven years. As a result the income from export also increased during the year of 2007-2013.
- ❖ The remittance business didn't show the same scenario like import and export. It fluctuates in last five years. Standard Bank made huge business in 2008 but reduced in 2009. It has an impact on foreign exchange earnings.
- ❖ The growth rate of import earning fluctuates during the last five years. In 2009 Standard Bank had lost income than 2008. but in 2010 its earn more than 2011 and again lost its earning in 2011.
- ❖ The growth rate of export earning fluctuates during the last five years. In 2009 Standard Bank had lower growth rate than other years.
- ❖ The growth rate of remittance earning show a disappointment result during the last five years. In 2008 Standard Bank had made a good earning but faced a huge fall in 2009 and its turning point is 2010 to 2013, within this time its recover its losses and bit by bit it increases.
- ❖ Import business is the main source of income of foreign exchange business of Standard Bank. Above 50% foreign exchange earned from import in every year.

Recommendation

From the practical exposure of Standard Bank Limited at Gulshan Branch for just three months. It is not so easy to recommend some suggestions to enhance the performance level of the organization. On the basis of observation following recommendations are made-

- ✓ The Bank should give more concentration of foreign remittance to increase profit from the remittance. Though the remittance performance of SBL for the last year was very bad so the performance and profit should be increase year by year.



- ✓ The export business of the bank is on an increasing inclination. So the bank should try to keep the pace of growth.
- ✓ The export earnings growth rate take downturn for the last year was not in the same pace of growth of export business.
- ✓ In over all foreign exchange earnings, remittance contributes a small portion only 10-13%. More than 50% comes from import business. Bank should try to increase earning from export. It should concentrate more effort to improve export earnings and remittance earnings for our economy.
- ✓ The export earnings growth rate and import earning growth rate were very much fluctuated during the last five years. so bank should try to keep a constant growth rate.
- ✓ Finally recommend to SBL is to improve the remittance performance as this sector performance is not very well.

CONCLUSION

Standard Bank limited is a leading Private bank in Bangladesh with superior customer bases that are loyal, faithful, worthy towards the bank. The service provided by the young energetic officials of the Standard Bank Limited is very satisfactory.

During my internship in Gulshan branch I have found its Foreign Exchange department to be very efficient; therefore this department plays a major role in the overall profitability of the branch and to the Bank as a whole. . It has a large portfolio with huge assets to meet up its liabilities and the management of this bank is equipped with the expert bankers and managers in all







level of management. I would rather feel like producing my personal opinion about the ongoing practices in Gulshan Branch.

Standard bank limited is a new generation bank. It is committed to provide high quality financial service to contribute to the growth of G.D.P. of the country through simulation trade & commerce, accelerating the pace of industrialization, boosting up export, creating employment opportunity for the educated youth, poverty alleviation, raising standard of living of limited income group and overall sustainable socio-economic development of the country.



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