

A Case Study Of Southeast Bank Limited

A Study of Foreign Exchange Division
of
Southeast Bank Limited



SUBMITTED TO

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ACKNOWLEDGEMENT

This Internship Report on “**Astudy of foreign exchange division**” of **Southeast Bank Limited** has been prepared on the basis of twelve weeks successfully completed Internship Program in Southeast Bank Ltd. shyamoli Branch, Dhaka with the help of large group of Bank Officials.

At first, I would like to express my profound gratitude to our respected teacher Ashphia Habib, faculty member, BRAC university for giving me required guidance and help to prepare the report successfully.

I am grateful to Mr. Kazi Mahmood Karim, Head of Branch of Southeast Bank Ltd. shyamoli Branch, Dhaka for providing me all sorts of facilities requested from time to time.

I also express my indebtedness to Md. Ferdous Hasan and Sharah Zabin repectively of Southeast Bank Ltd. shyamoli Branch, who had kindly provided help as and when required.

I express my deepest gratitude to Md. Zakaria Taslim, Head of Foreign Exchange Department, without his co-operation I could not have come along this far and prepared this report.

I am also grateful to all the employees of Southeast Bank Ltd. of shyamoli Branch as they helped me out in explaining the work practice and accompanied me through my internship period.

EXECUTIVE SUMMARY

This report is an effort to reflect a clear idea about the strategies, activities, and performance of Southeast Bank Ltd. regarding Foreign Exchange Business. I was assigned in the shyamoli Branch of Southeast Bank Limited (SBL) as an intern. I have tried to present this report on the basis of the knowledge and experience I gained during my internship period of 12 weeks

shyamoli Branch of Southeast Bank Ltd. started its operation from the year 2007. A year later, it started performing Foreign Exchange activities. During the short span of its operation, the bank had been widely acclaimed by the business community from small businessmen to industrial conglomerates for forward looking business outlook and innovative financial solutions. The bank is gaining popularity due to its improved quality of service, reliability, product variety, versatility and flexibility.

The contents of the report have been divided into – Organization Profile, A Glimpse through the Theories and Working Report. The “Working Report” part is based on the departments (General Banking, Credit, Accounts and Foreign Exchange) stating how the practice differs from the theories. The Analyses part has been Performance analysis (based on the annual reports of past 4 years). The report also contains some recommendations.

LETTER OF TRANSMITTAL

Date: 29th october 2014

Asphia Habib
Lecturer,
BRAC Business School,
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Subject: Submission of Internship Report

Dear Sir,

I am here by submitting my Internship Report, which is a part of the BBA Program curriculum. It is great achievement to work under your active supervision. This report is based on Foreign Exchange Department of SouthEast Bank Limited. I have got the opportunity to work in SOUTHEAST bank limited. in foreign exchange department of shyamoli branch for twelve weeks, under the supervision of Md. Zakaria Taslim, Principal Officer.

This project gave me both academic and practical exposures. First of all I learned about the organizational culture of a prominent banking organization of the country. Secondly, the project gave me the opportunity to develop a network with the corporate environment.

I shall be highly obliged if you are kind enough to receive this report and provide your valuable judgment. It would be my immense pleasure if you find this report useful and informative to have an apparent perspective on the issue.

Sincerely Yours

Tahmi Ahmed
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CHAPTER ONE

The Organisation

1.1 Introduction:

Banks are profit - earning concern. The word “Bank” refers to the financial institution deals with money transaction. Banks collect deposits at the lowest possible cost and provide loans and advances at higher cost. The differences between two is the profit for the bank. Commercial banks are the primary contributors to the country.

The revenue earning sources of banks are mainly loans and advances. The credit facility can be of two types: funded and non-funded. Funded credit can be expensive for the banks as the bank has to pay interests. Non-funded credit includes Letter of Credit which is the main source of income for the foreign exchange business.

If a bank can increase its import and export transactions, its profit will obviously reach a higher level, as the costs are negligible.

This report is an attempt to reflect the procedures, policies, activities of the foreign exchange business of Southeast bank limited.

1.2 Origin of the report:

When theoretical knowledge is obtained from a course of study, it is only the half way of the subject matter. Practical knowledge has no alternative. 'Internship Program' acts as an introducer to the real business world and actual organization for a student. An internship program requires a student to be attached to an organization and work on a specific project. Students are required to prepare a report on the internship. This report is such an 'internship report'.

This report is prepared based on the foreign exchange business of Southeast bank limited, Shyamoli branch under the supervision of the 'Head of Branch' and the project was assigned by the Manager, Operations, of the mentioned branch of that bank.

Intent of the study:

The main objective of this report is to know about the foreign exchange procedures, policies, and activities that are performed by Shyamoli branch of Southeast Bank Limited. In addition, the study seeks to achieve the objectives written below:

- ❖ To relate the theoretical learning with the real life situation.
- ❖ To get an overview of the bank.
- ❖ To find out the past trend of business of the bank in the area of foreign exchange.
- ❖ To get through all the departments of the bank and observe the actual work done.
- ❖ To find out the strengths, weaknesses, opportunities and threats to the bank.
- ❖ To provide an overview of various functions performed by the bank.

Methods of data collection:

For completion of the report necessary data and information were collected and gathered by examining the documents, analyzing past five years annual reports, working on different departments, reading relevant journals etc.

Primary and Secondary data:

The primary data were collected from the officials of Southeast Bank regarding the procedures of foreign exchange transactions. For working in foreign exchange department for more than two months gave a clear notion about the activities done in that department.

Secondary data were gathered from the annual reports, relevant published books.

1.3 Organizational Profile

Southeast Bank Limited is a private commercial Bank, which launched its activities in Dhaka in 1995. The Bank concentrates its activities in its area of expertise and has achieved good market reputation for efficient customer service. The Bank is committed in providing training/retraining to its staff to keep them up to date with modern practices in their respective fields of work. The Bank also tries to fulfill its share in community responsibilities. By such measures the Bank intends to grow and enhance shareholders' value. Southeast Bank Limited pledges to maximize customer satisfaction through services and build a trusting relationship with customers, which has already stood the test of nineteen years.

Southeast Bank Limited is a scheduled commercial Bank under private sector established under the ambit of Bank Company Act, 1991 and incorporated as a Public Limited Company under Companies Act, 1994 on 12 March 1995. The Bank started commercial banking operations effective from 25 May 1995. During this short span of time the Bank has been successful to position itself as a progressive and dynamic financial institution in the country. The Bank had been widely acclaimed by the business community, from small entrepreneurs to large traders and industrial conglomerates, including the top rated corporate borrowers for its forward - looking business outlook and innovative financial solutions. Thus within this very short period of time, it has been able to create an image and earn significant reputation in the country's banking sector as a Bank with Vision. Presently, it has nineteen branches in operation. The Bank is envisaged to open other branches in important financial centers of the country.

Southeast Bank Limited has been licensed by the Government of Bangladesh as a Scheduled Bank in the private sector in pursuance of the policy of liberalization of banking and financial services and facilities in Bangladesh.

The founder chairman of the bank was M. A. Quesum, a prominent business man of the country. The first Managing Director was Sayed Aniasul Haque. The bank is being managed by highly professional people having wide experience in Commercial Banking.

The present Charmin is Mr. Alamgir Kabir, FCA who is also a renowned business person of the country. The present Managing Director is Mr. Shahid Hossain who has long experience in Commercial Banking System. The Bank has made significant progress with in a very short period of time due to its very competent Board of Directors, Dynamic management and introduction of various customer friendly deposit and loan products.

1.4 Performance and Achievement of Southeast Bank Limited

Capital:

The Authorized Capital of the bank is Tk. 10,000.00 million and Paid-up Capital is Tk. 8,732.86 million. The bank maintains a secured capital adequacy ratio which is 10.90% of the Risk Weighted Assets as of December 31, 2013.

Reserve:

The bank raised its reserve from Tk. 235.28 million to Tk. 13,074.71 million during the year 2013 (Till December 31, 2013), which is quite significant

Deposits:

The accumulated total deposit of the Bank was Tk. 177,519.46 million as on December 31, 2013.

Loans & Advances:

The Bank continued to extend creditfacilities throughout the period to various sectors. Total Loans and Advances of the bank stood at Tk. 134,863.82 million as on December 31, 2013 The bank has extended credit facilities for 'Post Import Finance', 'Export Finance', 'Consumer Loan', 'Term Loan', 'Working Capital Finance and Overdrafts'

Import & Export Business:

The foreign exchange business of the Bank marked an increase from that of the corresponding period. The import and export business during the year 2013 reached Tk. 131,644.82 million and Tk. 95,220.40 million respectively.

Investments:

The performance of the Investment Wing of the bank during the year 2013 was Tk. 57,589.06 million. The investment portfolio comprises of Treasury Bill, Biman Bond, Grameen Bank Bond, Prize Bonds and Shares of local companies.

Profit:

The operating profit of the Bank increased to Tk. 6,700.20 million in 2013 compared to Tk. 5,495.87 million in the year 2012.



Bar Chart Showing the Performance and Achievement of
Southeast Bank Limited

Chart Of Deposites, Loans and Operating Profit

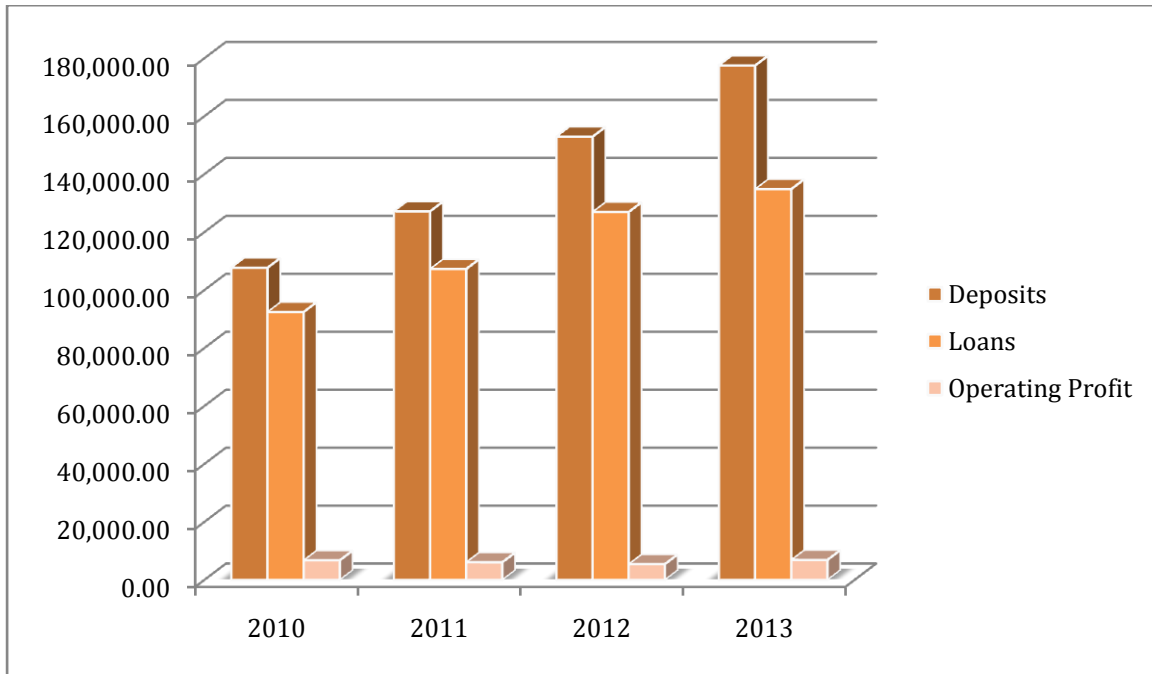
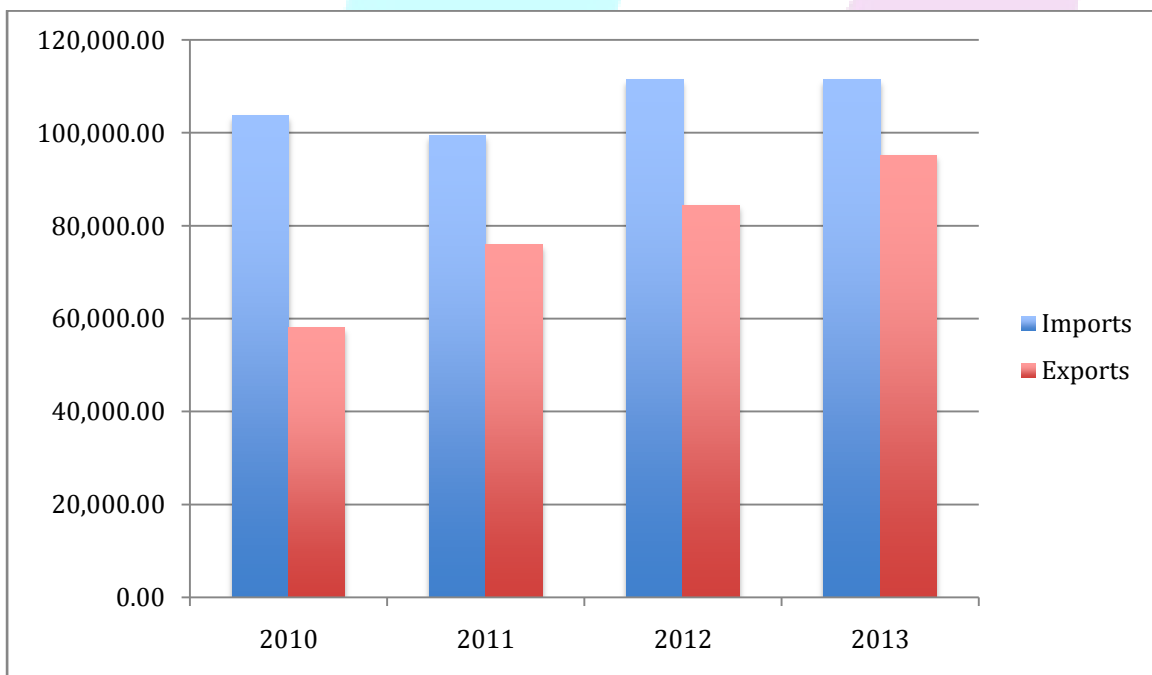


Chart of Import and Exports



1.5 Mission & Objective:

The mission of Southeast Bank Ltd. is to obtain a sustainable position in the banking sector of Bangladesh. It has been consolidating its position and preparing itself for the new millennium by upgrading technology, training its work force, restructuring organizationally and creating a new work culture. The purpose of the bank is to inter-mediate involving fund from saver to borrower and offering profit thereby. The general objective of the bank is to provide computerized modern banking services to the valued customers. Mainly the objectives are:

- ❑ High quality financial services with state of the art technology
- ❑ Fast customer service
- ❑ Sustainable growth strategy
- ❑ Follow ethical standards in business
- ❑ Steady return on shareholders equity
- ❑ Innovative banking at a competitive price
- ❑ Attract and retain quality human resource
- ❑ Commitment to Corporate Social Responsibility

1.6 Operational strategies and features

Organizing:

SBL believes in close monitoring and close control. The line and staff authority relationship in the bank is co-operative and emphatic. The staff performs the advisory jobs to ensure efficient management, the bank emphasizes on decentralization and delegation of authority.

Staffing:

For creating a commercial atmosphere and implementing mission through the managerial intelligence and well-dedicated workgroups, the bank continues to recruit skilled and enthusiastic personnel.

The selection and recruitment of the bank consists of

- ❑ Initial screening.
- ❑ Interviews.
- ❑ Written tests.
- ❑ Assessment Centers.

To measure performance of the employees, the bank uses 'Performance Appraisal Form'. Besides the bank offer its employees Human Resource Development Program through both on-the-job and off-the-job training.

Leading:

To hire and to maintain qualified personnel, the bank offers different types of motivations to its employees:

- ❑ Financial (including competitive pay, bonus, profit bonus, rewards etc.)
- ❑ Non-financial (including training, promotion, status and participation)

Controlling:

SBL does not believe in traditional banking. The bank tries to two types of control techniques:

- ❑ Feed forward control.
- ❑ Feedback control.

Feed forward control technique monitor inputs into a process to ascertain whether these are as planned, if they are not the inputs are changed, in order to get the desired result.

Feedback system, on the other hand, monitors outputs of a process and feed into the system to obtain the desired outputs.

1.7 Ethics and Social Responsibilities:

Southeast Bank Limited believes in banking ethics and social responsibilities. It is fully devoted to fulfilling the needs for customer satisfaction and involved in various socio-economic development.

The objectives of the bank are, among others:

- ❑ It finances the small-scale industries to help them survive.
- ❑ Creating employment opportunities within the bank through expanding its network so that it can play some positive role in solving the unemployment problem in the country.
- ❑ Cooperating with organizations such as Grameen Bank, which are helping the poor through micro Credit and other facilities.

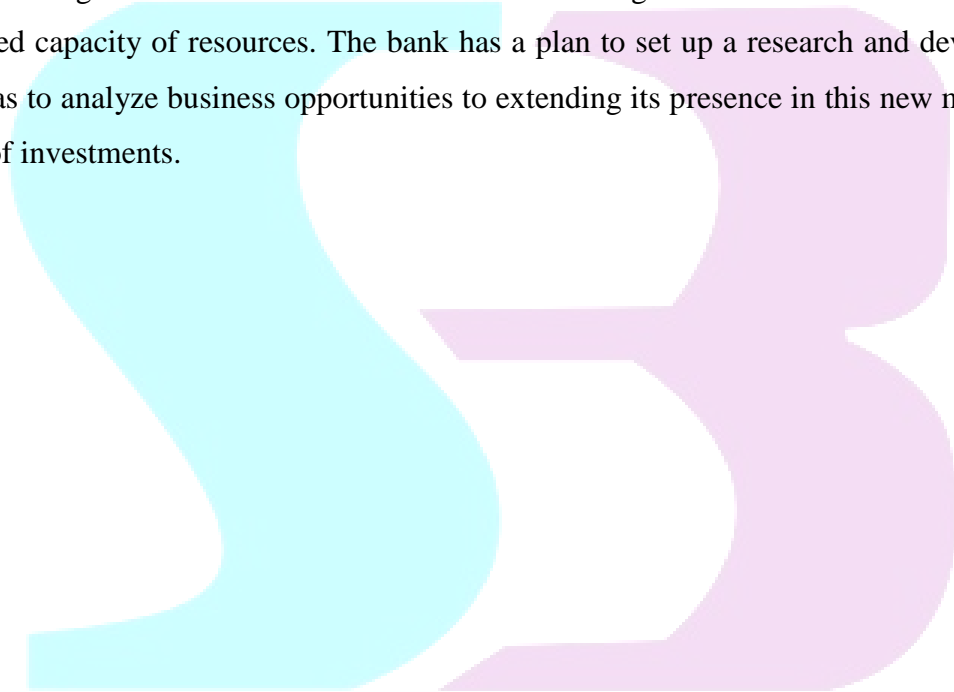
SBL views social responsibilities from the angles of:

- ❑ Rights of Shareholders: The bank earned a total profit before tax of Tk. 6,700.20 million in the year 2013 and offered 16% cash dividend.
- ❑ Responsibilities to the Employees: The bank always tries to ensure performing its responsibilities to its employees in terms of payment of competitive wage, providing the best possible working conditions, proper system of promotion, recognition, appreciation, and encouragement of special skills etc.
- ❑ Responsibilities to the Customers: the bank tries to ensure maximum satisfaction of its clients.
- ❑ Responsibilities to the Community: SBL performs its duty to the community by providing some special scheme such as Education Credit Scheme, Marriage Credit Scheme, and Promoting local industry.

1.8 Future Prospects and Plans of the Organization:

The regular operations and transactions of Southeast Bank Limited are fully automated and automation tools such as ATM and SWIFT are doing all the activities of trade and operations. The bank is having more than 40 ATM booths available in Dhaka Division and many more throughout the country provided by Electronic Transaction Network Limited (ETN). In order to provide round the clock and current information on the bank to the business community worldwide, this bank has Web site www.southeastbank.com.bd

Though a large number of commercial banks are already in the market to acquire business, Southeast bank nevertheless secured its position in the overall financial arena with diversified opportunities but with extensive competition. For modern banking and investment decisions the Bank is eager to make substantial investments through branch and business expansion with added capacity of resources. The bank has a plan to set up a research and development wing so as to analyze business opportunities to extending its presence in this new market and sources of investments.



1.9 Products & Services of Southeast Bank Ltd:

Products

Deposit Schemes

- Saving (SB)
- Short Term Deposit (STD)
- Fixed Deposit

Customer Friendly Deposit Schemes

- Pension Savings Scheme (P.S.S.)
- Education Savings Scheme (E.S.S.)
- Marriage Savings Scheme (M.S.S.)
- Savers Benefit Deposit Scheme (SBDS)
- Bearer Certificate of Deposits (3,6,12 months)
- Islamic Banking

Loan Schemes

- Consumer Credit Scheme (CCS)
- Equity & Entrepreneurship Fund (EEF)

Services

- ATM Service
- Locker Service

Southeast Bank Ltd.

SHYAMOLI Branch, Dhaka

Shyamoli branch of Southeast Bank Ltd. started its operation from the year 2007. A year later, it started performing Foreign Exchange activities. During the short span of its operation the bank had been widely acclaimed by the business community from small businessmen to industrial conglomerates for forward looking business outlook and innovative financial solutions. The bank is gaining popularity due to its improved quality of service, reliability, product variety, versatility and flexibility.

There are mainly four functional departments in the organization. They are

1. General Banking
2. Accounts
3. Credit
4. Foreign Exchange

1.9.1. GENERAL BANKING

The activities that are performed in the General Banking Division are stated below:

- (a) Accounts Opening
- (b) Cash Department
- (c) Remittance
- (d) Sanchaypatra
- (e) Other Services

Accounts opening

Accounts' opening is the main task of the General Banking Division. There are different types of deposit scheme for the clients.

Savings Deposit Account (SB): Saving Accounts are especially for the middle-income groups who are generating limited income and have the tendency to save.

Current Account (CD): In case of Current Account no interest is given to the account holder. There are current accounts for individual, joint current account, proprietorship current account, partnership current account, and limited company current account.

Short-Term-Deposit (STD): Minimum balance is required in this account is Tk. 500 and interest is given to the depositors at the rate of 5%

Fixed Deposit Receipt (FDR): The time limit is given in such an account. Depositors have to withdraw the interest after maturity date.

Bearer Certificate of Deposit (BCD): Here total interest will be given at the commencement period of opening account

Deposit Scheme	Deposit rate
Savings Deposit Account (SB)	5%
Short –Term Deposit (STD)	5%
Fixed Deposit	
3 (three) Months	8.75%
6 (six) Months	8.50%
1 (one) Year	8.50%
2 (two) years	9.50%
3 (three) Years	10%

Cash Department

All sorts of transaction considering the cash are taken into care in the cash departmen

t. Cash is deposited in the name of the concerned bank and disbursed to the client by this department.

Remittance Department

Remittance is another significant part of the general banking. The bank receives and transfers various types of bills through the remittance within the country. Obviously the bank charges commission on the basis of bill amount. The types of remittance:

- ❑ PO (Pay Order)
- ❑ DD (Demand Draft)
- ❑ TT (Telegraphic Transfer)

Pay Order (PO)

A pay order is written order issued by a branch to pay a certain sum of money to a specified person or a bank. It may be said a banker's cheque as it is issued by a bank drawn upon and payable by itself. Pay order is the safest way of making payments, as they are drawn on the bank issuing them. So there is no scope of fraudulence or cheque bouncing.

Demand Draft (DD)

A demand draft is a written order of one branch upon another branch of the same bank, to pay a certain amount of money to or to order of a specified person. DD is drawn on the bank's other branches and the payer should have an account with the bank.

Telegraphic Transfer (TT)

Telegraphic Transfer may be affected at the written request of any person and against value received from the person. A written application on the banks prescribed form duly signed by the purchaser should be obtained. The payment of TT should make to the payee or beneficiary after being satisfied in all respects.

Sanchaypatra:

Shyamoli branch of Southeast Bank Ltd issues govts' quarterly benefit fixed deposit scheme called "Sanchaypatra"

Other services

-] Locker service

Locker service	Yearly Charge	Security deposit
Small	Tk. 1500/=	Tk.2,500/=(Refundable) for all types of lockers
Medium	Tk. 2,500/=	
Large	Tk. 4,000/=	

-] Collection of Grameen Phone Bill
-] Convertible Taka Account
-] Foreign Currency Account
-] Consumer saving Scheme

1.9.2. ACCOUNTS

The activities that are performed in the accounts Division are stated below:

1. Preparation of different statement/position
2. Audit trial

The bank has maintained different types of statement/position to evaluate & record the condition of different sectors.

The statements are

- a. Daily Statement
 - ☐ Daily statement of affairs
- b. Weekly Statement

- ☐ Weekly statement of position i.e. Thursday Position

c. Monthly Statement

- ☐ Daily statement of Affairs at the end of month
- ☐ SBS – 1 (Schedule Bank Statement)

d. Quarterly Statement

- ☐ SBS – 2 (Deposit)
- ☐ SBS – 3 (Advance)

e. Half yearly Statement

- ☐ Deposit, Lending & Borrowing etc.

The bank used to check every day transactions of different department which are posted to the computer through Audit Trial.

1.9.3. CREDIT

Southeast Bank Ltd (SBL) has been extending credit facilities to the potential, productive, and priority sectors as per instruction from Bangladesh Bank. A big portion of operating is derived from lending. The credit department do this activity.

Functions of the Credit department

Some of the functions performed by this department are mentioned below

- a. Interviewing the prospective borrower
- b. Receiving the credit information & place in the customers credit file

- c. Processing & sanctioning of credit facilities to the customers
- d. Follow up and recovery of credit as per due date
- e. Computation & checking of interest accrued on loans and advances and recording thereof.

Classification of Credit facilities

- ❑ **Industrial Finance:** This loan is sanctioned to the clients for five years or above for setting up industries and to meet the working capital, after fulfillment of certain requirements of the bank.
- ❑ **Term Loan:** Short Term Loan, Medium Term Loan, Long Term Loan- are the three segments of Term Loan which have been classified based on their time period of maturity.
- ❑ **Over Draft:** The overdraft limits is based on 'Advance Line of Credit'. In this case the customer is allowed to overdraw his or her current account by drawing cheques more than the available balance up to an agreed limit within a certain period of time but not exceeding one year, against acceptable securities. These facilities are granted to the customer only after considering the credit worthiness, financial ability, and status of the customer.
- ❑ **Consumer Credit Scheme:** Southeast banks' Consumer Credit Scheme gives a great opportunity to buy household and office items on easy installments. This scheme gives clients the advantage of part payment to cope with the high price tags of many necessary home and office appliances.

Television, Refrigerator, Personal Computer, Photo-Copier, Washing Machine, Furniture, Microwave Oven, Car, and a number of other expensive items are now within your buying range. With this scheme SBL makes better living possible for people living on fixed income. Customers can buy those home and office equipment's without over taxing their budget.

❑ **House Building Loan:** This loan allowed to individual/enterprise for construction of house (residential or commercial). The amount is repayable by monthly installment with in a specific period.

❑ **Non funded Business (Contingent items)**

Under this category the bank finance on Letter of Credit, Letter of guarantee etc.

1.9.4. FOREIGN EXCHANGE

The Foreign Exchange department of the bank provides various foreign exchange services, which are:

- ❑ Foreign Remittance
- ❑ Import
- ❑ Export



CHAPTER TWO

Activities Performed

I have worked under the foreign exchange department where all of the employees of the bank were very helpful providing the information. Overall, I have experienced a very friendly and supporting environment at shyamoli branch. Which gave me pleasure and satisfaction to be a part of the branch. I was also encouraged by the bank employees to learn.

2.1 List of activities Performed.

As my topic of my internship report is foreign exchange activities of southeast bank, shyamoli branch. I am going to describe all my activities that I performed. I was assigned to export department for a while then I was assigned to import department. I got the opportunity to understand the foreign exchange sectors of bangladesh.

2.1.1 Export Department

- issuing export form to exporters
- Giving FDBP (foreign documents bills for purchase) number
- Matching duplicate export forms with the documents
- Providing customer services regarding export business
- Updating export issue register
- Issue pro-forma to customers
- Make amendment copy
- Making a master L/C file

An export form usually contains the following:

- Name and address of the authorize dealer
- The comodity to be exported and the code number
- Name and address of the importer and exporter
- Country of origin
- Port of shipment and date
- Port of destination
- Quality
- L/C value on foreign currency
- Terms of scale
- Bill of transportation reciept number.

2.1.2 Import department:

I arranged the files according to the invoice amount. Fill the import form and submit the L/C form on the Bangladesh Bank website.

- Submit the import form on bangladesh bank website
- Write application name, beneficiary, LDBP,L/C no, date, value, Tenor, Liability, Sender bank into the top of the L/C file, put LCAF number.
- Update the registry
- Update the Master L/C folder
- Update the amaenments

To open a L/C importers needs to fill up the followings

1. L/C application form

2. Filled up LCA form
3. Pro-forma Invoice
4. Import registration certificate
5. Authority to debit account
6. Filled up ammendment request form
7. Import form
8. Insurance cover note and money receipt
9. Membership certificate of chamber of commerce
10. Rate fluctuating undertaking

Importers must have a SBL bank account

I have to issue an import form with the following like LCAF, pro-forma invoice, commercial invoice. Sometimes there are more than one pro-forma invoice so I had to add the values and update the registry and master L/C file. If any amendments come then I had to add the values with the master L/C

Important Information Entry in the registry

- 1. LCAF ID**
- 2. L/C no**
- 3. L/C date**
- 4. Country of origin**
- 5. Destination country**
- 6. L/C type**
- 7. L/C expiry Date**
- 8. L/C expiry place**
- 9. Last shipment date**

After all these entry. Import L/C is created. And it will be updated and checked in every step of import process.

2.2 Other relevant activities

when I was working at Southeast bank I worked at front desk of the bank. There I performed random activities like

- providing account opening information to clients
- Customer Service
- Sending mail to head office when FDR & pay order is canceled
- Sending mail to clients to inform that there visa and online card is ready
- Giving inputs for pay-orders
- Giving cheque requisition
- Giving clients their cheque books
- Providing assistance to fill up carious forms

CHAPTER 3

A study Of Foreign Exchange Departments

3.1 Remittance

Remittance means sending or transfer money or money-worth from one place to another. Generally the process of remittance can be divided into two major categories:

- Inward Remittance
- Outward Remittance

3.2 Foreign Exchange:

Foreign Exchange refers to the process or mechanism by which the currency of one country is converted into the currency of another country. Foreign exchange is the means and methods by which rights to wealth in a country's currency are converted into rights to wealth in another country's currency.

3.3 Foreign Exchange Accounts:

Nostro Account:

Nostro account means “our account with you”. A Nostro account is a foreign currency account of a bank maintained by its foreign correspondents abroad. For example, US Dollar Account of Southeast Bank Limited is maintained with Citibank, N.A, New York, USA is a Nostro account of Southeast Bank Limited i.e. from the point of view of Southeast Bank Limited, it is their Nostro Account.

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. For example, State Bank of India’s Taka account maintained with Southeast Bank Limited Dhaka is the vostro a/c i.e. from the point of view of Southeast Bank Limited it is a vostro account held for state bank of India.

What is the Nostro account for a bank in a particular country is a Vostro account for the bank abroad maintaining the account thus the account of Southeast Bank Limited with Standard Chartered Bank, London regarded as it’s Nostro account held with Standard Chartered Bank, while Standard Chartered Bank, London regards it as it’s Vostro account held for Southeast Bank Limited.

Loro Account:

Loro account means “their account with you”. Account maintained by third party is known as Loro account; suppose Southeast Bank Limited is maintaining an account with Citi Bank N.A New York and at the same time Janata Bank is also maintaining a nostro account with Citi Bank N.A New York. From the point of view of Southeast Bank Limited Janata Bank’s account maintained with Citi Bank N.A New York is the Loro account.

Foreign Exchange Buying Rates:

The rates at which the banks are willing to purchase foreign currencies are said to be buying rates, i.e. at these rates foreign currencies are converted into home currency. The various types of buying rates are:

- (a) T. T. (Clean)
- (b) T. T. (Documentary)
- (c) O. D. sight (Export)
- (d) O. D. Transfer

T. T. (Clean): The T. T. clean buying rate is the basic rate of exchange from which other types of buying rates are computed, since in case of T. T.s fund are paid over at the other end on the same day involving no loss of interest, but may attract only small charges for Telex. The variations in other types of buying rates quoted from the basic T. T. buying rate are

primarily dependant upon the nature of instruments to be purchased which indicate the extent of possible loss of interest, extra costs of collection or increased risk of capital loss

T.T. (Documentary): This rate is applicable in which the handling of document is involved. Bank recovers handling charges on the transaction.

OD (Sight): This rate is applied for transaction resulting in the purchase or negotiating of export bills. OD sight (export) buying rates vary from TT buying rates to the extent of loss of interest for the period the bank remains out of funds i.e. from the time the bank pays out cash at home

3.4 Foreign remittance activities

Foreign remittance section of SBL, Shyamoli branch is an integral part of Foreign Exchange Department. And this section of Foreign Exchange Department deals with

- ↪ Inward foreign remittance
- ↪ Outward foreign remittance
- ↪ Opening Foreign Currency Accounts.
- ↪ Governing Wage Earner's Bond.
- ↪ Opening Student File etc.

Inward Foreign Remittance:

Normally, Inward Foreign Remittance comprises all incoming foreign currencies. Remittances issued by the correspondent banks situated in the foreign countries and thereby drawn on SBL, Shyamoli branch is considered to be its Inward Foreign Remittances. Followings are the Inward Foreign Remittances of SBL, Shyamoli branch.

- FDD Payable
- FTT Payable
- TC Payable
- Encashment of foreign currencies endorsed in the passport.

- Purchase of foreign currencies.

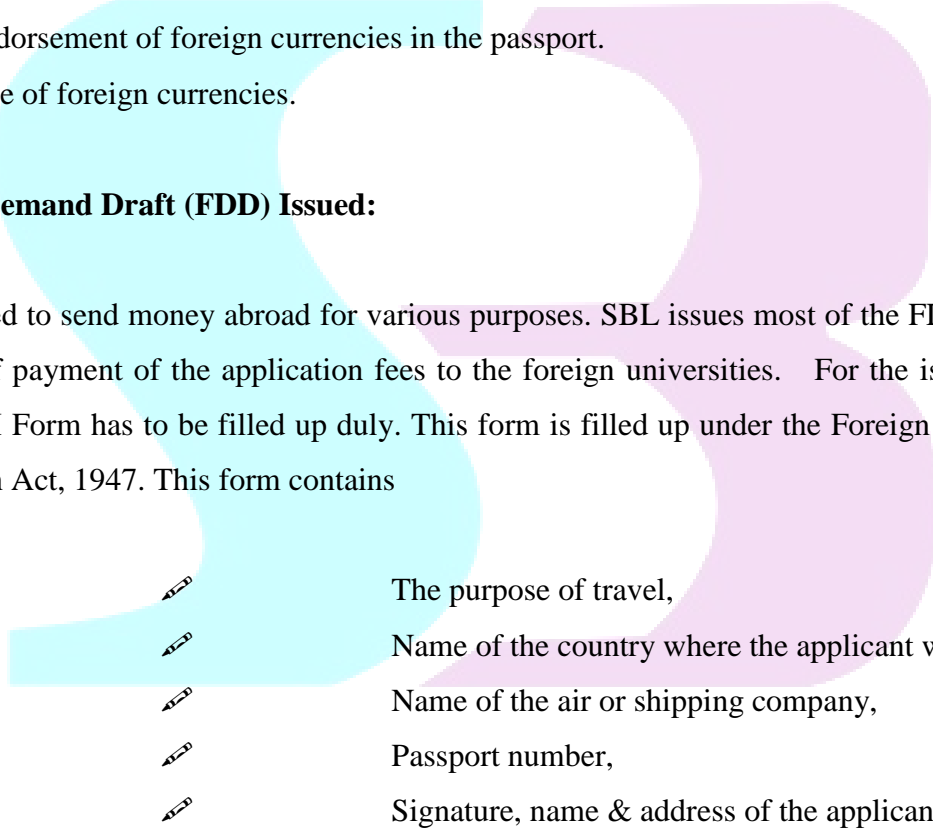
Outward foreign Remittances:

Remittances issued by Southeast Bank, shyamoli Branch to there foreign correspondents to fulfill there customers' needs are considered to be the Outward Foreign Remittances. It comprises the followings:

- FDD Issued
- FTT Issued
- TC Issued
- Endorsement of foreign currencies in the passport.
- Sale of foreign currencies.

Foreign Demand Draft (FDD) Issued:

People used to send money abroad for various purposes. SBL issues most of the FDD for the purpose of payment of the application fees to the foreign universities. For the issuance of FDD; T/M Form has to be filled up duly. This form is filled up under the Foreign Exchange Regulation Act, 1947. This form contains



- The purpose of travel,
- Name of the country where the applicant will go,
- Name of the air or shipping company,
- Passport number,
- Signature, name & address of the applicant

This form has to be duly signed by the applicant. In case of application fee, the applicant has to mention the name of the university in whose favor the FDD is issued.

Accounting Treatment:

SBL gives the following entries while issuing FDD:

Client’s Account/ Cash Dr.

Commission	Cr.
IDT	Cr.

Traveler's Cheque (TC) Issued:

SBL issues only American Express Traveler's Cheque (TC). For TC, customer has to fill up T/M form. He has to fill up the purchase form also. For TC, SBL charges 1% as commission.

Procedure for issuing TC

There are some requirements that are to be fulfilled by the Traveler's Cheque purchaser. The requirements are:

- i) The client must be an account holder or proper reference from the bank is required
- ii) The passport must be a valid one
- iii) Air ticket has to be confirmed
- iv) Passport holder must be present physically

Steps involved in issuing of TC:

- 1) After verifying all these documents the customer is asked to fill up prescribed application form.
- 2) In the application the customer states the amount he is willing to endorse and it is to be verified that his required amount is within the stipulated.
- 3) Then the customer pays cash or by debiting his account the Traveler's Cheque is issued.
- 4) Endorsement is given on the passport and on the ticket. Customer fills up the T/M Form.
- 5) Purchased application form has to be filled up by the purchaser.
- 6) Entry has to be given in the Foreign Currency Register and in the Traveler's Cheque Register.

Following Documents must be retained form the clients

- ☐ Photocopy of passport
- ☐ T/M form (Travel & Miscellaneous)
- ☐ Others
 - Copy of government order (in case of government employee)
 - Copy of invitation letter if issuance is against conference/training quota

Endorsement of Cash:

Cash foreign currency can also be remitted through the cash endorsement in the passport. In case of endorsing cash in the passport, the requirements are similar to those of Traveler's Cheque. But according to the foreign exchange Regulation Act, 1947 an individual cannot take more than \$1500.00 in cash in a year. That's why, the concerned officer checks the last voyage of the purchaser. If he/she made any voyage and if he/she purchased dollar at that time, then the officer will deduct the amount and will give the rest to the purchaser.

SBL cannot endorse more than \$1500.00 as cash at a time. For more than \$1500.00, the customer has to purchase TC. For cash endorsement SBL maintains a separate register. For giving cash foreign currency, SBL charges Tk. 200.00 as service charge per passport.

Foreign TT Payable:

Foreign remittance section also pays the claim of the foreign TT. After receiving TT payable, SBL performs the following functions:

- 1) Customer has to fill up a "C Form" if the amount exceeds \$2000.00. "C Form" describes the purpose of sending the TT.
- 2) The dollar amount comes to the Head office of SBL through American Express, New York.
- 3) SBL, shyamoli branch sells the dollar to Head Office and collects the money in local currency.

3.5IMPORT

Import means purchase of goods or services form abroad. Normally consumers, firms and Government organizations import foreign goods or services to meet their various necessities. So, in brief, we can say that import is the flow of goods and services purchased by economic agent staying in the country from economic agent staying abroad.

Regulation of Import:

Import of goods into Bangladesh is regulated by the Ministry of Commerce in terms of the Import and Export (Control) Act, 1950 with Import Policy Order issued periodically and public notices issued from time to time by the office of the Chief Controller of Import and Export (CCI&E). At present, it is regulated by the Import Policy (1997-2002), which has come into effect on June14, 1998. And Import Policy directs certain Import Procedure, which administers the whole activity.

Import Procedure Followed by SBL:

As an Authorized Dealer, Southeast Bank, Dahnmondi Branch is always committed to facilitate import of different goods into Bangladesh from the foreign countries. Import Section, which is under Foreign Exchange Department of the branch, is assigned to perform this job. And to serve its client's demand to import goods, it always maintains required formalities that are collectively termed as The Import Procedure.

1. At first, the importer must obtain Import Registration Certificate (IRC) from the CCI&E submitting the following papers:

- ☐ Up to date Trade License.
- ☐ Nationality and Asset Certificate.
- ☐ Income Tax Certificate.
- ☐ In case of company, Memorandum & Articles of Association and Certificate of Incorporation.

- ☞ Bank Solvency Certificate etc.
- ☞ Required amount of registration fee

2. Then the importer has to contact with the seller outside the country to obtain the Proforma Invoice. Usually an indenter, local agent of the seller or foreign agent of the buyer makes this communication. Other sources are:

- ☞ Trade fair.
- ☞ Chamber of Commerce.
- ☞ Foreign Missions in Bangladesh.
- ☞ Journals etc

3. When the importer accepts the Proforma Invoice, he/she makes a purchase contract with the exporter detailing the terms and conditions of the import.

4. After making the purchase contract, importer settles the means of payment with the seller. An import procedure differs with different means of payment. The possible means are Cash in Advance, Open Account, Collection Method and Documentary Letter of Credit. In most cases, the Documentary Letter of Credit in our country makes import payment. Purchase Contract contains which payment procedure has to be applied.

Different Means of Payment:

- a) **Cash in advance:** Importer pays full, partial or progressive payment by a foreign DD, MT or TT. After receiving payment, exporter will send the goods and the transport receipt to the importer. Importer will take delivery of the goods from the transport company.
- b) **Open Account:** Exporter ships the goods and sends transport receipt to the importer. Importer will take delivery of the goods and makes payment by foreign DD, MT, or TT at some specified date.
- c) **Collection Method:** Collection methods are either clean collection or documentary collection. Again, Documentary Collection may be Document against Payment (D/P) or Document against Acceptance (D/A). The collection procedure is that the exporter ships the goods

and draws a draft/ bill on the buyer. The exporter submits the draft/bill (only or with documents) to the remitting bank for collection and the bank acknowledges this. Then the remitting bank sends the draft/bill (with or without documents) and a collection instruction letter to the collecting bank. Acting as an agent of the remitting bank, the collecting bank notifies the importer upon receipt of the draft. The title of goods is released to the importer upon full payment or acceptance of the draft/bill.

- d) **Letter of credit:** Letter of credit is the well-accepted and most commonly used means of payment. It is an undertaking for payment by the issuing bank to the beneficiary, upon submission of some stipulated documents and fulfilling the terms and conditions mentioned in the letter of credit.

5. Requesting the concerned bank (importer's bank /issuing bank) to open a L/C (irrevocable) on behalf of importer favoring the exporter/seller.

3.6 LETTER OF CREDIT (L/C)

The method by which a Commercial Bank undertakes to make payment on behalf of the importer (buyer) to the seller (exporter) is known as **Letter of Credit (L/C)**. On the other hand it is a credit contract where by, the buyers (importer) bank is committed (on behalf of the buyer) to place an agreed amount of money at the seller's (exporter) 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**.

An importer in a country requests his/her bank to open a credit in foreign currency in favor of the exporter at a bank in the letters country. The letter of credit is issued against payment of the amount by the importer or satisfactory security. The letter of credit authorized the exporter to draw a draft under its terms and sell to a specific bank in his/her country. The exporter has to hand over the bill of exchange, shipping documents and such other papers as may be agreed upon between the exporter and importer. The buyer wants to be assured of

goods and the seller to be assured of payments. Commercial Banks, therefore, assure these things to happen simultaneously by opening **Letter of Credit** guaranteeing payment to seller and goods to buyer.

Forms of Letter of Credit:

Letter of Credit is basically classified in two forms:

- 1) Revocable Letter of Credit
- 2) Irrevocable Letter of Credit

1) **Revocable Letter of Credit:** If any Letter of Credit can be amendment or changed of any clause or canceled by consent of the exporter and importer, it is known as Revocable Letter of Credit.

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.

2) **Irrevocable Letter of Credit:** If any Letter of Credit cannot be amendment or changed of any clause without the consent of all concern parties – importer (applicant), exporter (beneficiary), Issuing Bank, and Confirming Bank (in case of confirmed L/C), is known as Irrevocable Letter of Credit.

An Irrevocable Letter of Credit constitutes a firm undertaking by the issuing bank to make payment. It, therefore, gives the beneficiary a high degree of assurance that he/she will pay to his/her goods or services provided he/she complies with terms of the credit.

Types of Letter of credit:

Letter of credit is classified into various types according to the method of settlement employed.

- i) Sight payment credit
- ii) Deferred payment credit
- iii) Acceptance credit
- iv) Negotiation credit
- v) Transferable credit

i) **Sight Payment Credit:** The most commonly used credits are sight payment credits. These provide for payment to be made to the beneficiary arrogantly after presentation of the stipulated documents on the condition that the terms of the credit have been complied properly. The banks are allowed reasonable time to examine the document.

ii) **Differed Payment Credit:** Under a deferred payment credit the beneficiary does not receive when he/she presents the documents but at a later date specified in the credit term. On presenting the required documents, he/she receives the authorized banks written undertaking to make payment of maturity.

iii) **Acceptance Credit:** With an acceptance credit, payment is made in the form of a term bill of exchange drawn on the buyer by the issuing bank. Once the importer fulfilled the credit requirement, the beneficiary can demand that the bill of exchange be accepted. Thus the accepted bill takes the place of cash payment.

The beneficiary can present the accented bill to his own bank for payment at maturity or for discounting, depending on whether or not he/she wants cash immediately. For simplicities sake the beneficiary usually gives an instruction that the accepted bill should be kept in the safekeeping of one of the banks involved until it matures. Bill of exchange drawn under acceptance credit usually has term of 60 – 180 days.

The purpose of an acceptance is to give the importer time to make payment. If the importer sells the goods before payments fall due, he/she can use the proceed to meet the bill of exchange in this way; he/she does not have to borrow money to finance the transaction.

iv) **Negotiation Credit:** Negotiation means the purchase and sale of bill of exchange or other marketable instruments. A negotiation credit is commercial letter of credit opened by

the issuing bank in the currency of its own country and addressed directly to the beneficiary. The letter is usually delivered to the address by a correspondent bank.

The letter of credit empowers the beneficiary to draw a bill of exchange on the issuing bank, on any other named drawer or on the applicant for the credit. The beneficiary can then present this bill to a bank for negotiation, together with the original letter of credit and the documents stipulated therein.

The issuing bank guarantees payment of the bill of exchange on the condition that the documents presented by the beneficiary are in order. The most common form of negotiation credit permits negotiation by any bank. In rare cases the choice is limited to specified banks.

v) **Transferable Credit:** Transferable credit is one under which the exporter has the right to make the credit available to one or more subsequent beneficiaries. When the credit is transferable, it is expressed as such by the issuing bank on the face of L/C. The credit is to be transferred only under the terms and conditions specified in the original L/C.

Parties Involved in Operation of Letter of Credit:

A letter of credit is issued by a bank at the request of an importer in favor of an exporter from whom the importer has contracted to purchase some commodity/commodities. The importer, the exporter and the issuing bank are the parties to the letter of credit. There are however one or more than one banks involved in various capacities and at various stages to play an important operation of the credit.

- ◆ The Buyer (Importer) & The Beneficiary (Exporter)
- ◆ The Opening Bank
- ◆ The Advising Bank
- ◆ The Negotiating Bank
- ◆ The Reimbursing Bank.

The Buyer (Importer) & The Beneficiary (Exporter): The importer at whose request a letter of credit is issued is known as the buyer. The exporter in whose favor the credit is

opened and to whom the letter of credit is addressed is known as the beneficiary. As the seller of goods the exporter is entitled to receive payment which he/she does by drawing bills under the letter of credit. As soon as the exporter shipped the goods and collected the required documents, the exporter draws a set of papers and presents it with the documents to the opening bank or other bank to mention in the L/C.

The Issuing Bank (Opening Bank): The opening bank is one that issues the letter of credit at the request of the buyer. By issuing a letter of credit it takes upon itself the liability to pay the bills drawn under the credit.

The Advising Bank: The letter of credit is transmitted to the beneficiary through a bank in the letter's country. The bank may be a branch or a correspondent of the opening bank. The credit is sometimes advised to this bank by cable and then transmitted by it to the beneficiary on its own specified form. On the other occasion, the letter is sent to the bank by mail or telex and forwarded by it to the beneficiary. The bank providing this service is known as the Advising Bank. The advising bank undertakes the responsibility of prompt advice of credit to the beneficiary and has to be careful in communicating all its details.

The Negotiating Bank: This is the bank that honors the documents presented as per letter of credit. The negotiating bank has to be careful in scrutinizing that the draft and the documents attached there to are in conformity with the conditions laid down in the letter of credit. Any discrepancy may result in refusal on the part of the opening bank to honor the instrument. In such an eventuality the negotiating bank has to look back to the beneficiary for refund of the amount paid to the beneficiary.

The Reimbursing Bank: It is the bank in which the Issuing Bank maintains a Nostro account and this bank will make the payment to the beneficiary.

Documents Used in operation of L/C

Indent or Proforma Invoice:

Indent or Proforma Invoice is the sale contract between seller and buyer in import- export business. There is slight difference between indent and Proforma invoice. The sales contract, which is direct correspondence between importer and exporter, is called Proforma invoice. There is no intermediary between them. On the other hand, there may be an agent of exporter in importer's country. In this regard, if the sale contract is occurred between the agent of exporter and importer then it is called indent.

Import Registration Certificate (IRC):

The importer collects from the C.C.I.& E office by submitting required documents and payment of requests fees.

Bill of exchange: The bill of exchange is a negotiable instrument through which payment is effected in the trade deals. It is an unconditional order or writing, addressed by the buyer to seller by which the seller can obtain payment from the buyer for the invoiced value of the goods.

Bill of lading: It is the list of goods being shipped which the captain gives to the person sending the goods to show that the goods have been loaded.

Airway Bill/Railway receipt: Sometimes goods are transported through small bulk or those are perishable in nature then the mode of transport other than shipping may be resorted to for carriage of the goods, Airway bill/Railway receipt take place of loading depending on the nature of the carrier.

Commercial Invoice: It is the seller's bill for the merchandise. It contains a description of goods, the price per unit, total value of the goods, packing specification etc. The seller under his own form and signature in the name of the buyer issues the invoice.

Insurance Policy: In the international trade insurance policy is a must to cover the risk of loss on consignments. The policy is must

Certificate of origin: This is the certificate issued by a recognized authority In the exporting country certifying the country of origin of the goods. It is usually by the Chamber of Commerce.

Packing List: The exporter prepares an accurate packing list showing item by item. The content of the consignment to enable the receiver of the shipment to check the contents of the goods and marks of the packages, quantity, weight etc of the goods exported.

Bill of Entry: It is a document, which contains the particulars of the imported goods as well as the amount of customer duty payable.

Procedure of opening the L/C

Clean Report of Findings: This certificate is provided by the Pre Shipment Inspection (PSI) Concerns. The entire world has been brought under the three supervision of the three pre-shipment inspection concerns based on different territory. These are as follows

- Intertek Testing Service
- Instrospect Griffith Ltd.
- Bureau Veritas

Procedure of opening the Letter of Credit (L/C)

The importer after receiving the proforma invoices from the exporter, by applying for the issue of documentary credit, the importer requests his/her bank to make a promise of payment to the supplier. Obviously, the bank will only agree to this request if it can rely on

reimbursement by the applicant. As a rule accepted as the sole security for the credit particularly if they are not the shorts of commodity that can be traded on an organized market, such an agreement would involve the bank in excessive risk outside its specialized field. The applicant must therefore have adequate fund in the bank account or a credit line sufficient to cover the required amount.

Banks deal in documents and not in goods. Once the bank has issued the credit its obligation to pay is conditional on the presentation of the stipulated documents with in the prescribed time limit. The applicant cannot prevent a bank from honoring the documents on the grounds that the beneficiary has not delivered goods on redder reissues as contracted.

The importer submit the following documents with the application for opening the L/C

- a. Tax Identification Number (TIN)
- b. Valid trade license
- c. Import registration certificate (IRC)

The bank will supply the following documents before opening the L/C

- a. LCA form
- b. IMP form
- c. Necessary charger documents for documentation

The above documents/papers must be completed duly signed and filled by the parties according to the instruction of the concern banker.

After scrutinizing above-mentioned documents carefully, the authorized officer delivers the following forms to be filled up by importer and banker then check it carefully:

- Whether the goods to be imported is permissible or not.
- Whether the goods to be imported is demanding or not.

L/C Application Form (L/CAF)

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 shyamoli Branch provides a printed form for opening of L/C to the importer. A special adhesive stamp of value Tk.150 is affixed on the form in accordance with Stamp Act currently in force. While opening, the stamps are 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 no.
- ✎ Import License/LCAF no.
- ✎ IRC no.
- ✎ Account no.
- ✎ Documents no.
- ✎ Insurance Cover Note/Policy no., 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.

L/C Authorization Form (L/CAF):

The Letter of Credit Authorization Form (LCAF) is the form prescribed for the authorization of opening letter of credit/payment against import and used in lieu of import license. The authorized dealers are empowered to issue LCA Forms to the importers as per basis of licensing of the Import Policy Order in force to allow import into Bangladesh. If foreign exchange is intended to be bought from the Bangladesh Bank against an LCAF, it has to be registered with Bangladesh Bank's Registration Unit located in the concerned area office of the CCI&E. The LCA Forms available with authorized dealers are issued in set of five (05) copies each. First Copy is exchange control copy, which is used for opening of LC and effecting remittance. Second Copy is the custom purpose copy, which is used for clearance of imported goods from custom authority. Triplicate and Quadruplicate Copy of LCAF are to be sent to concerned area of CCI&E office by authorized dealer/Registration Unit of Bangladesh Bank. Quintuplicate Copy is kept as office copy by authorized dealer/Registration Unit. The Letter of Credit Authorization Form (LCAF) contains the followings –

- ✎ Name and address of the importer
- ✎ IRC no. and year of renewal
- ✎ Amount of L/C applied for (both in figure and in word)
- ✎ Description of item(s) to be imported
- ✎ HS Code No.
- ✎ Signature of the importer with seal
- ✎ List of goods to be imported

Desk work:

One debit voucher to be passed.

Corresponding credit vouchers to be passed. (Margin, commission, postage, stamps, F.C.C. and others.)

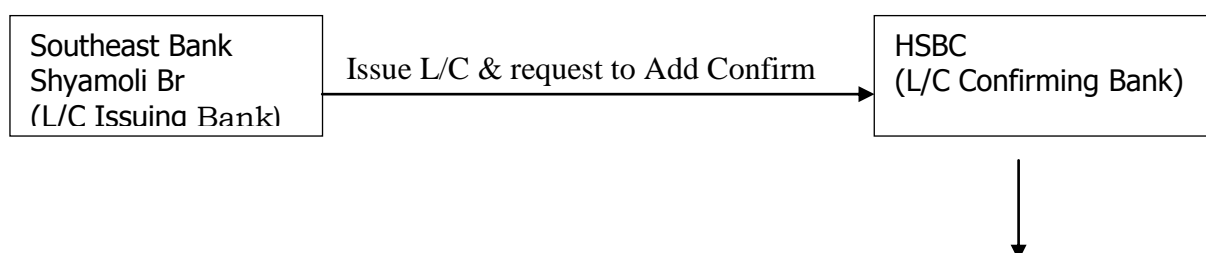
Liability voucher to be passed.

Accounting treatment:

Particulars	Dr./Cr.
L/C Applicant A/C or Customer's A/C	Dr.
Margin A/C	Cr.
Commission A/C	Cr.
Postage A/C	Cr.
Stamp A/C	Cr.
F.C.C (foreign corresponding charge) A/C	Cr.
Telex charge A/C	Cr.
Other A/C	Cr.

Customer's liability A/C	Dr.
Banker's liability A/C	Cr.

The L/C Confirming process:



Forwarding Documentary Credit by Advising or Confirming Bank:

There are usually two banks involved in a documentary credit operation. The issuing bank and the 2nd bank, the advising bank, is usually a bank in the seller's country. The issuing bank asks another bank to advise or confirm the credit.

If the 2nd bank is simply "advising the credit", it will mention that when it forwards the credit to seller, such a bank is under no commitment or obligation to pay the seller.

If the advising bank is also "confirming the credit", this mention that the confirming bank, regardless of any other consideration, must pay accept or negotiate without recourse to seller. Then the bank is called confirming bank also.

Submission of Necessary Documents by Exporter to the Negotiating Bank:

As soon as the seller/exporter receives the credit and is satisfied that he can meet its terms and conditions, he is in a position to load the goods and dispatch them. The seller then sends the documents evidencing the shipment to the bank.

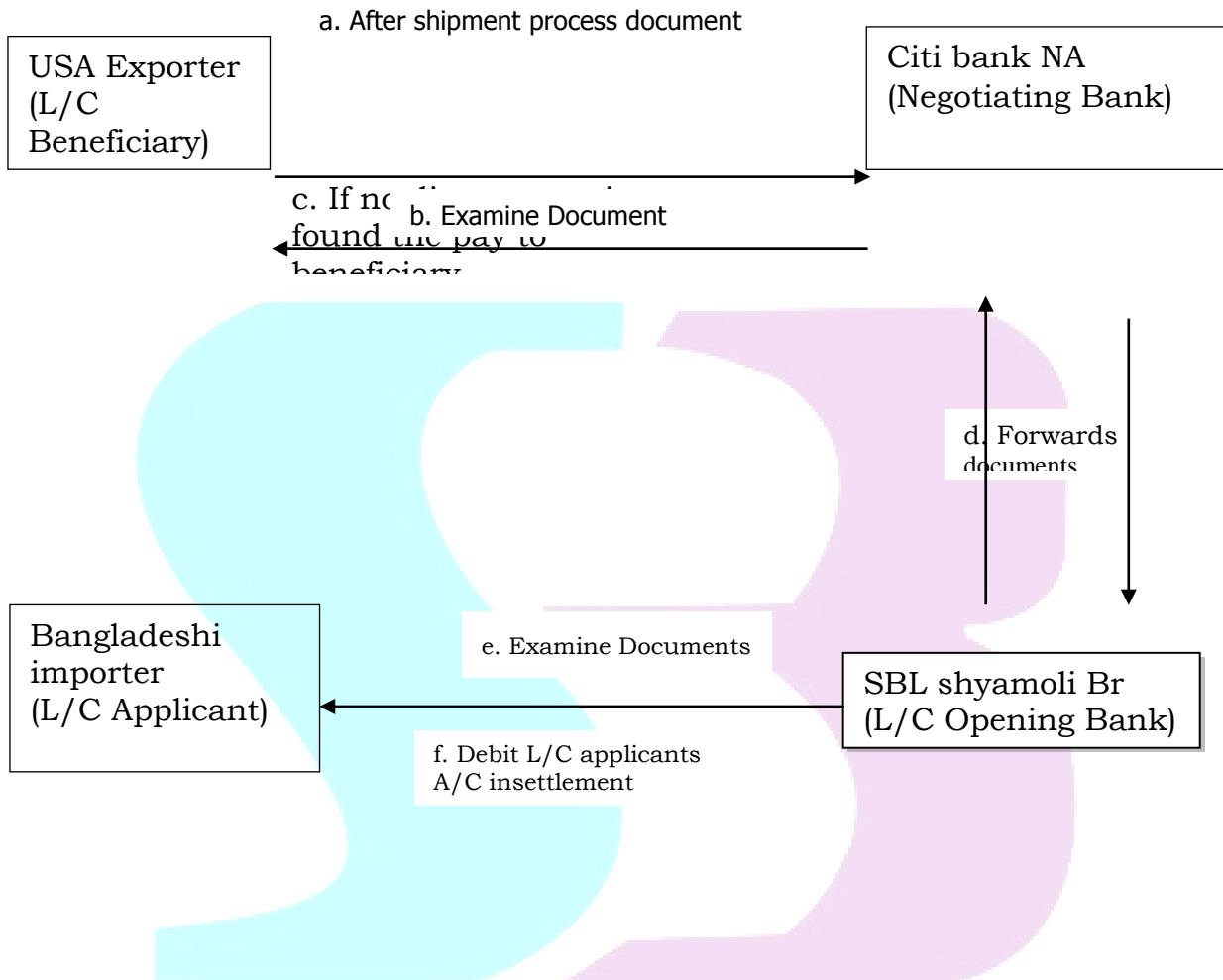
Exporter will submit those documents in accordance with the terms and conditions as mentioned in L/C. Generally the documents observed by me in the foreign exchange department are:

- ☐ Bill of exchange
- ☐ Commercial invoice
- ☐ Bill of lading / Air way bill / Truck receipt
- ☐ Certificate of origin
- ☐ Packing list
- ☐ Clean report of finding (CRF)

- Insurance cover note
- Pre-shipment certificate

g. Pay Negotiating Bank

The negotiation process of import L/C:



The Documents Sent To The Issuing Bank Through The Negotiating Bank:

The negotiating bank carefully checks the documents provided by the exporter against the credit, and if the documents meet all the requirement of the credit, the bank will pay, accept, or negotiate in accordance with the terms and conditions of the credit. Then the bank sends the documents to the L/C opening bank.

SENDING L/C DOCUMENTS





Making the Payment of Foreign Bill through the Reimbursing Bank:

The L/C issuing bank getting the documents checks immediately and if they are in order and meet the credit requirements; it will arrange to make payment against L/C through reimbursement bank and will send the importer the document arrival notice.

Lodgment & Retirement of shipping documents:

After scrutinizing the import negotiating document, if no discrepancy is found then it is treated to be accepted after the end of seven banking day following the day of receipt of the document under “Article 1(b) of UCPDC –500”. If any discrepancy is found then the banker inform it to the importer that whether he accept the bills with discrepancies or not. If the importer does not accept, the banker (SBL) informs it to the negotiating bank within seven banking days from the date of receipt of the documents, otherwise it is treated to be accepted and the opening bank (SBL) must bound to pay against the bill and no complain against the bill will be accepted more than 4 banking days following the date of receipt of the documents.

The local office passes the following vouchers after negotiation.

Accounting treatment:

BLC (payment against document) A/C	Dr.
H.O. International Division A/C	Cr.

Reverse entry is given.

Banker’s liability A/C	Dr.
Customer’s liability A/C	Cr.

The shipping documents then stamped with PAD (Payment Against Document) number and entered in the PAD register. As soon as the above formalities are completed, the importer is served with PAD bill intimations for retirement of concerned import documents.

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. Bank prepares cost memo in printed form on account of the concerned party giving detailed read of charges payable.

Vouchers passed in retiring documents:

L/C margin A/C -----	Dr.
Party A/C -----	Dr.
BLC A/C -----	Cr.
Income A/C interest on PAD -----	Cr.
Commission on PAD -----	Cr.
Miscellaneous earning -----	Cr.

After the vouchers are passed, endorsement is made on the back of the bill of exchange as 'Received Payment' & bill of lading is endorsed to the effect that 'Please deliver to the order of M/S' under two authorized signatures of the bank officials of SBL. Then the documents are delivered to the L/C applicant (importer).

But if there is any discrepancy in the documents, the L/C issuing bank send message to the negotiating bank to rectify it under its risks and responsibilities.

Post-Import Financing:

If there is no available in cash in importer's hand, he can request the bank to grant loan against the documents for the purpose of post import finance. There are two following forms of post import finance available:

- LIM (Loan against imported merchandise).
- LTR (Loan against trust receipt).

LIM:

Loan Against Imported Mercenary (LIM) is a facility provided by the bank to the importer who are in short of fund to retire the import bills and thus to clear the goods from the authority.

On the arrival of goods and lodgment of import documents, importer may request the bank for clearance of goods from the port (custom) and keep the same to bank warehouse. Proper sanction from the competent authority is to be obtained before clearance of consignment.

For giving these types of loan, officer makes loan proposal and sends it to H/O for approval. After getting approval from H/O, bank grants loan in the form of either LTR or LIM.

Accounting treatment:

LIM/LTR creation:

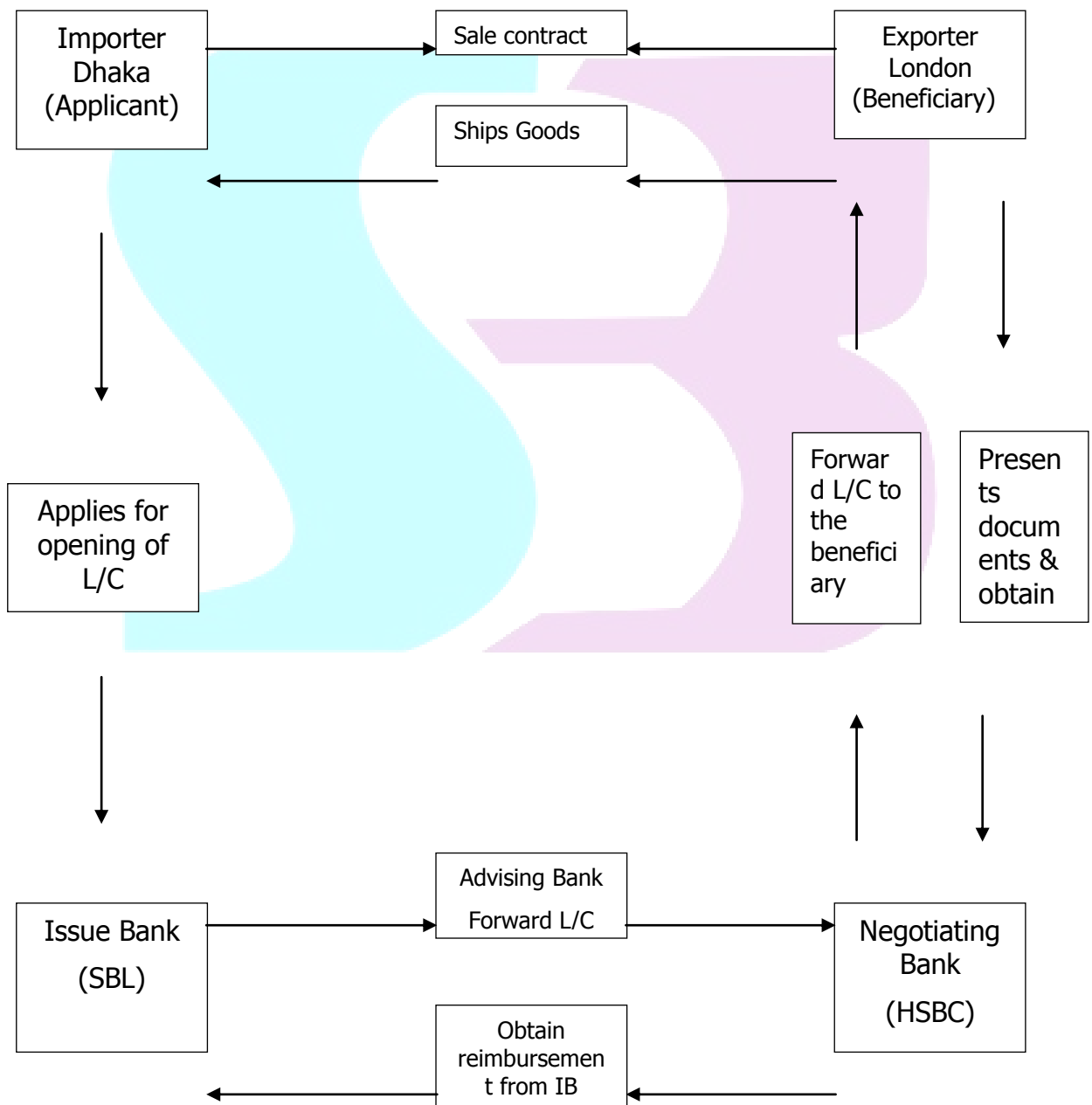
LTR/LIM (Importer) A/C	Dr.
BLC A/C	Cr.

After payment of the loan or delivery of goods:

Party's A/C	Dr.
LTR/LIM A/C	Cr.
Interest A/C	Cr.

It is needless to say that bank only deals with the documents, not with goods & services in case of foreign exchange business.

Flow Chart of L/C Operation Mechanism



3.7EXPORT:

Export is the process of selling goods and services to the other countries. Creation of wealth in any country depends on the expansion of production and increasing participation in international trade. By increasing production in the export sector we can improve the employment level of such a highly populated country like Bangladesh. Bangladesh exports a large quantity of goods and services to foreign households. Readymade textile garments (both knitted and woven), Jute, Jute-made products, frozen shrimps, tea are the main goods that Bangladeshi exporters export to foreign countries. Garments sector is the largest sector that exports the lion share of the country's export. Bangladesh exports most of its readymade garments products to U.S.A and European Community (EC) countries. Bangladesh exports about 40% of its readymade garments products to U.S.A. Most of the exporters who export through SBL are readymade garments exporters. They open export L/Cs here to export their goods, which they open against the import L/Cs opened by their foreign importers.

Export L/C operation is just reverse of the import L/C operation. For exporting goods by the local exporter, bank may act as advising banks and collecting bank (negotiable bank) for the exporter.

Export Policy:

Export policies formulated by the Ministry of Commerce, GOB provide the overall guideline and incentives for promotion of exports in Bangladesh. Export policies also set out commodity-wise annual target.

It has been decided to formulate these policies to cover a five-year period to make them contemporaneous with the five-year plans and to provide the policy regime.

The export-oriented private sector, through their representative bodies and chambers are consulted in the formulation of export policies and are also represented in the various export promotion bodies set up by the government.

Export Procedures:

The import and export trade in our country are regulated by the Import and Export (Control) Act, 1950.

Under the export policy of Bangladesh the exporter has to get valid Export registration Certificate (ERC) from Chief Controller of Import & Export (CCI&E). The ERC is required to renew every year. The ERC number is to incorporate on EXP forms and other papers connected with exports.

Registration of Exporters:

For obtaining Export registration Certificate (ERC), intending Bangladeshi exporters are required to apply to the controller/ Joint Controller/ Deputy Controller/ Assistant Controller of Imports and Exports, Dhaka/ Chittagong/ Rajshahi/ Mymensingh/ Sylhet/ Comilla/ Barishal/ Bogra/ Rangpur/ Dinajpur in the prescribed form along with the following documents:

- ✓ Nationality and Assets Certificate;
- ✓ Memorandum and Article of Association and Certificate of Incorporation in case of Limited Company;
- ✓ Bank Certificate;
- ✓ Income Tax Certificate;
- ✓ Trade License etc.

Securing the Order:

After getting ERC Certificate the exporter may proceed to secure the export order. He can do this by contacting the buyers directly or through agent.

In this purpose the exporter may get help from:

- ⇒ License Officer;
- ⇒ Buyer's Local Agent;
- ⇒ Export Promoting Organization;
- ⇒ Bangladesh Mission Abroad;
- ⇒ Chamber of Commerce (local & foreign)

⇒ Trade Fair etc.

Signing the Contract:

After communicating buyer, exporter has to get contracted (writing or oral) for exporting exportable items from Bangladesh detailing commodity, quantity, price, shipment, insurance and marks, inspection and arbitration etc.

Receiving Letter of Credit:

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

The following are the main points to be looked into for receiving/ collecting export proceeds by means of Documentary Credit:

- (1) The terms of the L/C are in conformity with those of the contract;
- (2) The L/C is an irrevocable one, preferably confirmed by the advising bank;
- (3) The L/C allows sufficient time for shipment and negotiation.

Terms and conditions should be stated in the contract clearly in case of other mode of payment:

- Cash in advance;
- Open account;
- Collection basis (Documentary/ Clean)

Procuring the materials:

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

Shipment of goods:

Then the exporter should take the preparation for export arrangement for delivery of goods as per L/C and incoterms, prepare and submit shipping documents for Payment/ Acceptance/ Negotiation in due time.

Documents for shipment:

- ✓ EXP form,
- ✓ ERC (valid),
- ✓ L/C copy,
- ✓ Customer Duty Certificate,
- ✓ Shipping Instruction,
- ✓ Transport Documents,
- ✓ Insurance Documents,
- ✓ Invoice,
- ✓ Bills of Exchange (if required)
- ✓ Certificate of Origin,
- ✓ Inspection Certificate,
- ✓ Quality Control Certificate,
- ✓ G.S.P. Certificate,

Final Step:

Submission of the documents to the Bank for negotiation.

Export Financing:

Financing exports constitutes an important part of a bank's activities. Exporters require financial services at four different stages of their export operation. During each of these phases exporters need different types of financial assistance depending on the nature of the export contract.

- ◇ Pre-shipment credit
- ◇ Post-shipment credit

Pre-shipment credit:

Pre-shipment credit, as the name suggests, is given to finance the activities of an exporter prior to the actual shipment of the goods for export. The purpose of such credit is to meet working capital needs starting from the point of purchasing of raw materials to final shipment of goods for export to foreign country. Before allowing such credit to the exporters the bank takes into consideration about the credit worthiness, export performance of the exporters, together with all other necessary information required for sanctioning the credit in accordance with the existing rules and regulations. Pre-shipment credit is given for the following purposes:

- ✓ Cash for local procurement and meeting related expenses.
- ✓ Procuring and processing of goods for export.
- ✓ Packing and transporting of goods for export.
- ✓ Payment of insurance premium.
- ✓ Inspection fees.
- ✓ Freight charges etc.

An exporter can obtain credit facilities against lien on the irrevocable, confirmed and unrestricted export letter of credit in form of the followings:

- ✓ Export cash credit (Hypothecation)
- ✓ Export cash credit (Pledge)
- ✓ Export cash credit against trust receipt.
- ✓ Packing credit.
- ✓ Back to back letter of credit.
- ✓ Credit against Red-clause letter of credit.

Post Shipment Credit:

This type of credit refers to the credit facilities extended to the exporters by the banks after shipment of the goods against export documents. Necessity for such credit arises, as the exporter cannot afford to wait for a long time for without paying manufacturers/suppliers. Before extending such credit, it is necessary on the part of banks to look into carefully the

financial soundness of exporters and buyers as well as other relevant documents connected with the export in accordance with the rules and regulations in force. Banks in our country extend post shipment credit to the exporters through:

1. Negotiation of documents under L/C;
2. Foreign Documentary Bill Purchase (FDBP);
3. Advances against Export Bills surrendered for collection;

Negotiation of documents under L/C:

The exporter presents the relative documents to the negotiating bank after the shipment of the goods. A slight deviation of the documents from those specified in the L/C may raise an excuse to the issuing bank to refuse the reimbursement of the payment already made by the negotiating bank. So the negotiating bank must be careful, prompt, systematic and indifferent while scrutinizing the documents relating to the export.

Foreign Documentary Bill Purchase (FDBP):

Here the exporters are also made on the basis of contract between the buyer and the seller without the cover of a letter of credit. In such case, documents are delivered to the buyer through the intermediary of the foreign correspondent of the authorized dealer against payment/acceptance.

Chapter 4

Challenges and Proposed course of action for improvement

4.1 Problems indentified in the organization

There were some problems in the organisation along with all the good qualities. Sometimes I found this place very challenging to work. due to competition in the market many problem has arise. most common problem is in the system software named bank ultimus which needs lots of information to self update. There are other problems which I faced in a daily basis they are given below.

- Sometimes I have faced problems while checkng the payout ammount of the exporters due to frequent flactuation of domestic currency against US dollars.
- In case of export most of the client submit fake insurance reciept
- Sometimes authorized signature of the beneficiary are missing
- As I wasn't a trained emplyoyee of the bank so I couldn't help the clients properly
- Another big problem is most of the time Bangladesh Bank website is out of service. So many work gets undone and they start to pile up.
- The foreign exchange division of southeast bank still uses a lots of register to maintain the foreign exchange transaction

- The bank management did not allow me to access the banking software , that time I had to do maximum works manually which wasted a lot of time
- There was no IT expert in the branch so they faced a lot of IT problems and it took a while to fix them. And the computer system is very backdated.

There are many problems which is not in the bank's authorities hand like bangladesh bank website and foreign exchange rates. But they can solve the other problems which was mentioned above.



CHAPTER 5

Conclusion and Recommendations:

Modern Commercial Banking is challenging business. The rewards are modest; the penalties for bad looking are enormous. Commercial Banks are great monetary institutions, important to the general welfare of the economy more than many other financial institutions.

Southeast Bank is an emerging bank. The bank has only completed seven years of banking services. At the initial stage of business, every institution has to go through the difficult path of survival. To achieve the confidence of the customers, the bank must execute some improvements in its marketing and operational areas – SBL should try to win customers faith by providing them efficient and dependable services, credit facility and updating with user friendly modern technologies. The bank should redesign all sorts of banking procedures to be more user-friendly, attractive and impressive.

Southeast Bank Limited started with a vision to be the most efficient financial intermediary in the country and it believes that the day is not far off when it will reach its desired goal. SBL looks forward to a new horizon with a distinctive mission to become a highly competitive modern and transparent institution comparable to any of its kind at home and abroad.

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