

A Study of the Foreign Trade Department of Bank Asia Limited



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Submitted To:

Mahmudul Haq

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Submitted By:

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Letter of Transmittal

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To

Mahmudul Haq

Associate professor

BRAC University

Mohakhali, Dhaka.

Subject: Submission of Internship Report on “A Study of the Foreign Trade Department of Bank Asia Limited.”

Dear Sir,

It is my pleasure to submit the Internship report entitled “A Study of the Foreign Trade Department of Bank Asia Limited” for the fulfillment of BBA degree. With available data, information and practical experience in this filed, I have tried to make my paper comprehensive as possible.

I am grateful to you for giving me such an opportunity, and I appreciate this internship program. I hope that you will cordially receive my internship paper.

Sincerely yours,

Tasnim Ahmed

ID: 10104013

Dept: BBS

Acknowledgement

Firstly I would like to thank Almighty Allah for helping me to complete my internship program. In addition I would like to thank Mahmudul Haq sir for guiding me for preparing the internship report. I would also like to thank all the employees of Bank Asia limited, Corporate Branch. I would especially thank Mr. Zahid Hossain (SVP) and Manager, Mr. Shifaul Karim (SEO), Mr. Nur-E-Alam (Senior Officer), Md. Amran Hossain(EO), Sonia Afroze(EO) and Mr. Shakil Akhter(SEO and Foreign Trade In-charge)

The three months of internship was a great learning experience for me. I had the honor of working with some highly talented, initiative, impressive and inspiring banking executives. They guided me and answered all my queries throughout the process. They inspired and motivated me even under tremendous pressure. I got to learn a lot of new stuffs that will help me in future..

I thank them all from the core of my heart.

Declaration

This is to certify that the Internship report has been thoroughly and carefully prepared by me. The report is my original work and not plagiarized. In order to prepare and completed the report I have taken help from the employees Bank Asia Limited. In addition I have used annual report, organization's website and other supportive activities for the completion of my report.

I also confirm that the sole purpose of the report is for my academic requirement for the completion of my graduation. The report is not submitted to any public or private Universities or any other place before.

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INTRODUCTION

Introduction

Bank has always been described as a financial institution that collects deposits from individuals and organizations and provides loans to those who need it. However, at present day banks do not only have to collect and disburse money to various entities, but are also required to provide various services to various entities which facilitate their business operations. A foreign trade department of a bank is one of those services that not only facilitates the business of the businessmen but also contributes to the development of the economy as a whole. Foreign exchange is described as the system or process by which one country's currency can be converted into another country's currency. 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. Foreign exchange department of banks plays significant roles through providing different services for the customers.

Background of the Study

The internship program is an extremely essential part for any student. Usually the duration of the program is three months. Within this timeframe a student gets the opportunity to gather knowledge about the organization's procedures as well as a prospect of the corporate environment. After the completion of all required courses of BBA program under BRAC University, it is obligatory part of the study to get involved in a practical professional environment. I had joined Bank Asia Ltd., Corporate Branch, Noor Tower, 110 Bir Uttam C.R Dutta Road, Dhaka-1205, for a period of three months. This branch performs the entire banking activities including General Banking, Loan & Advance and Foreign Trade Financing. Therefore any one can easily gain knowledge and experience of all the simple and complex banking operations from the activities of this branch. This is why I have chosen Bank Asia Ltd. for my internship. The internship report is based on the Foreign Trade Department of Bank Asia Limited. This report is the output of my practical experience which I gathered during my internship.

Origin of the Report

A business student requires having both theoretical and practical knowledge in order to perform efficiently in the real business world. The internship program therefore is important for any student to apply his/her theoretical knowledge in the practical situations. The program is divided into two parts:

- **Organizational part:** To introduce the intern with the structure, functions, and performance of the organization.
- **Project part:** Concentrating on a particular assignment or searching a topic that matches with the intern's capacity and interest of the organization's requirements.

Objectives of the Study

General Objectives:

- To apply theoretical knowledge in the practical field.
- To observe the working environment in commercial banks.
- To get an overall idea of foreign trade activities.
- To get familiar with rules, regulations theories and practices of a bank.
- To be acquainted with the banking guidelines and gather idea about operational procedures.

Specific Objectives:

- To analyze the foreign trade activities (export, import and foreign remittance).
- To learn about Letter of Credit (L/C).
- To know how to issue and advise Letter of Credit (L/C).
- To be acquainted with the documents required for Export and Import.
- The consequences process of Transmitting L/C, L/C amendment & Lodgment systems.
- To get a practical knowledge about Export procedure and the system of foreign remittance.
- To acquire a synopsis of the problems in Foreign Trade department of Bank Asia Limited.
- To know about the company and its products/services.
- To generate suitable recommendations that might help to reduce the problems in Foreign Trade department of Bank Asia Limited.
- To complete my internship program and prepare an internship report.

Methodology of the Study

The needed for carry out the study have been collected from the primary sources as well as secondary sources. In collecting the necessary data, care has been taken so that all the variables that may in some way can't affect the objectives of the study. The information that I used in this study is collected from the following sources:

In order to prepare the report, data have been collected from two sources:

- Primary Source-
 - Practical work
 - Interview with the employees of Bank Asia Limited in person.
 - Study of the foreign trade department of Bank Asia Limited.
 - Study of different documents provided by the foreign trade employees.
- Secondary Source-
 - Annual Report of Bank Asia Limited
 - Annual Report of Prime Bank and Southeast Bank Limited
 - Different websites
 - Other financial reports of Bank Asia Limited.

Scope of the Study

The internship opportunity at Bank Asia Limited, Corporate has given the chance to not only have practical knowledge about an organization but to also learn the different operations of the foreign exchange department. The process to open a Letter of Credit, endorse export documents, prepare forwarding, post into the online system, fill out IMP forms, etc. gave me a clearer picture of how import and export takes place in Bangladesh. Since my supervisor has asked me to focus on the Foreign Trade Department of Bank Asia Limited, I got the opportunity to broaden my understanding about export, import and foreign remittance of Bangladesh.

Limitation of the Study

The report is prepared based on the primary and secondary sources of data. A part of the study is based on my practical experience along with the interview with the employees. Although the officials were extremely helpful, these are the few limitations of the study:

- The bank operated most of its work manually.
- Supervisory personnel hesitated to give instant decisions that delayed the work leading to a lengthy process where the same thing had to be done over and over again.
- Absence of adequate secondary data, such as other financial reports.
- Internal financial reports of the branch were hard to obtain. Only one or two reports were provided to me.
- The timeframe of the internship program is three months which is insufficient to understand the entire process of the foreign exchange.

- The employees of Bank Asia Limited are snowed under tremendous work pressure. Therefore it was difficult to talk to them for a longer period of time.

ORGANIZATIONAL OVERVIEW

History of Bank Asia

Bank Asia Limited has been established on 27th November, 1999 under the Banking Company Act 1991. It is third generation bank and scheduled commercial bank in the private sector. It has been incorporated as a public limited company under the Company Act 1994 in Bangladesh to carry out banking business. A group of successful entrepreneurs initiated the journey of Bank Asia Limited. The management of the bank is comprised a team led by senior bankers with vast experience in both national and international market. The bank has confirmed its position in the banking sector as one of the fastest growing .Presently it has more than 91 branches all over the Bangladesh. At the beginning of its initiation in 1999, it achieved a milestone by acquiring the Bangladesh operations of the Bank of Nova Scotia of Canada, which is the first in the banking history of Bangladesh. Later on in 2002, the bank acquired the Bangladesh operations of Muslim Commercial Bank Ltd. (MCB). In 2003 the bank went public by offering shares to the general investor and was listed with the stock exchange in 2004. The bank it's most appreciated Islamic banking operation in 2008 by offering strict Shariah based products. On March 16, 2011 the bank established its 1st subsidiary company named "Bank Asia Securities Limited" and within the same year it opened another subsidiary company "BA Exchange Company (UK) Limited" in the United Kingdom. Currently the bank is rendering services through its 91 Branches, 5 Islamic Windows, 10 SME Service Centers, 1 Off-shore Banking Unit, and 2 Subsidiary companies.

Vision of the Bank Asia

Bank Asia's vision is to have a poverty free Bangladesh in course of a generation in the new millennium, reflecting the national dream. Our vision is to build a society where human dignity and human rights receive the highest consideration along with reduction of poverty.

Mission of the Bank Asia

- To assist in bringing high quality service to our customers and to participate in the growth and expansion of our national economy.
- To set high standards of integrity and bring total satisfaction to our clients, shareholders and employees.
- To become the most sought after Bank in the country, rendering technology driven innovative services by our dedicated team of professionals.

Ethical Principles of the Bank

- ❖ Customer focus and fairness
- ❖ Team work

- ❖ Quality of services
- ❖ Good corporate governance
- ❖ Honesty and integrity
- ❖ Corporate social responsibility
- ❖ Belief on their of customer
- ❖ Money laundering
- ❖ Corruption and bribery
- ❖ Information that may affect the share price
- ❖ Health, safety and working environment
- ❖ Confidentiality
- ❖ Protection of personal data

Core Values

- ❖ Place customer interest and satisfaction as first priority and provide customized banking products and services.
- ❖ Value addition to the stakeholders through attaining excellence in banking operation.
- ❖ Maintain high ethical standard and transparency in dealings.
- ❖ Be a compliant institution through adhering to all regulatory requirements.
- ❖ Contribute significantly for the betterment of society.
- ❖ Ensure higher degree of motivation and dignified working environment for our human capital and respect optimal work-life balance.
- ❖ Committed to protect the environment and go green.

Goals of Bank Asia

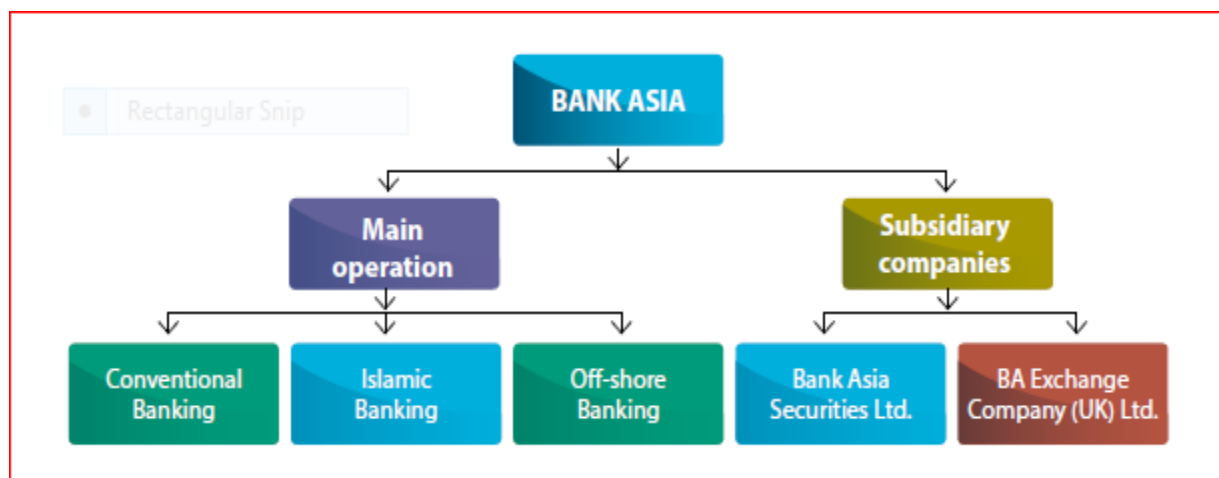
- **Sustainable growth**
 - Synergies between new knowledge and human capital for sustainable economic growth.

- **Capital stewardship**
 - Preservation and enlargement of multiple forms of capital; like intellectual, natural, financial, organizational, social; all of which contribute to long term value creation.
- **Accelerating financial inclusion**
- Accelerate progress towards financial inclusion with technology like ATM, mobile phone, smart card based banking services and renewable energy generation projects especially in rural areas.
- **Differentiating value added services**
 - Strong focus on extremely cost-efficient and green services through Internet banking, electronic fund transfer, automated cheques clearing, e-bank statement, SMS alert etc.
- **Going green**
 - Quantification of in-house facilities and energy consumption to promote paperless office and enhance energy efficiency.
 - Greater emphasis on green banking projects.
- **Leader in business**
 - Create new dimension in the syndication and structured financing. Grow with export. Well diversified portfolio.

Slogan of Bank Asia Limited

The tagline or slogan of the bank is “For a better tomorrow -does not have to confine with the limited service rather enhanced existing service and brought up new services in order to their existing and potential clients for made the life easier”.

Corporate Structure of the Bank



Board of Directors

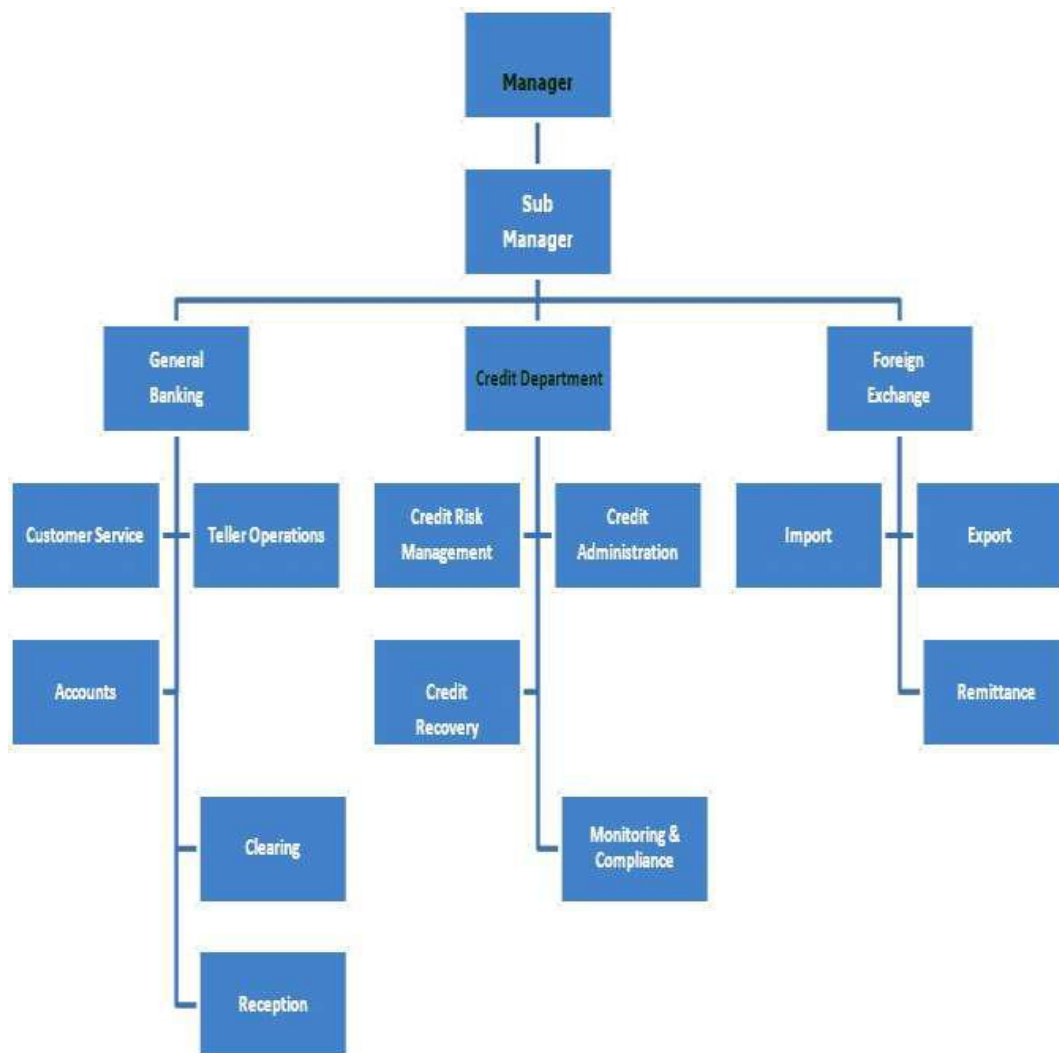
The Board of Directors is comprised of sixteen represented from both public and private sectors and shareholders given in the following table:

Chairman	Vice Chairman	Director	President and Managing Director
1	2	12	1

Executive Committee of Bank Asia Limited

The Executive Committee is comprised of seven members headed by Mr. Rume A Hossain who is the Chairman of the committee.

Chain of Command of Bank Asia Limited



International Banking

Bank Asia Ltd. engages itself in providing best international banking service to its valued clients by serving through 85 Authorized Dealer branch.

It has a good number of correspondent banks world-wide and it handles a big volume of export and import business. It is also engaged in collecting home-based remittances of the people and paying the same to the beneficiary prompted

Products and Services

Business Banking

<ul style="list-style-type: none"> ▪ Overdraft ▪ Secured Overdraft ▪ Secured OD (Earnest Money) ▪ Working capital finance ▪ Loan against Trust Receipt ▪ Loan against Cash Incentives ▪ Bill discounting ▪ Letter of Guarantee ▪ Letter of Credit (Sight/Deferred/UPAS) ▪ Back to back Letter of Credit (Local & Foreign) ▪ Time Loan 	<ul style="list-style-type: none"> ▪ Loan Syndication and Structured Finance ▪ Packing Credit ▪ Demand Loan ▪ Demand Loan (work order) ▪ Transport Loan ▪ House Building Loan ▪ Term loan ▪ Lease Finance ▪ Agriculture Financing ▪ Staff Loan (Car Loan, House Building Loan, Provident Fund Loan)
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Small and Medium Enterprise (SME)

Term Loan

- Subidha -Unsecured Trading
- Sondhi -Secured Trading
- Sristi – Unsecured Manufacturing
- Shombridhi- Secured Manufacturing
- Shofol – Unsecured Service

- Sheba- Secured Service

Over Draft

- Somadhan – Secured

Special Products

- Utshob- Seasonal Business
- Subarno- Women Entrepreneur

Consumer Finance

- Auto Loan
- Consumer Durable Loan
- Unsecured Personal Loan
- House Finance
- Loan for Professionals
- Senior Citizen Support

Credit Card

<ul style="list-style-type: none">• VISA Platinum Card (with Priority Pass)• VISA Classic Local Card• VISA Classic Dual Card• VISA Butterfly Card• VISA Gold Local Card• VISA Gold Dual Card	<ul style="list-style-type: none">• Travel Card (prepaid card)• Virtual Card• Master Silver Card• Master Gold Card• SME Credit Card• Lanka Bangla Card Cheque• Hajj Card
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Deposit Products

<ul style="list-style-type: none">• Saving Account• Current Account• Short Notice Deposit• Fixed Deposit• Foreign Currency Account• Deposit Pension Scheme	<ul style="list-style-type: none">• Monthly Benefit Scheme• Double Benefit Scheme• Triple Benefit Scheme• Bank Asia Sanchoy Plus• ShonchoyE KotiPoti (SKP)
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Service Products

<ul style="list-style-type: none">• ATM Services• Remittance Service• Locker Service• Online Banking• Internet Banking• Phone Banking• Mobile Banking• SWIFT	<ul style="list-style-type: none">• Student File• Travellers'Cheque• E-Commerce• E-Procurement• Debit Card• Call Centre• Remote Banking (EBEK)• Agent Banking
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INTERNSHIP EXPERIENCE

DEPARTMENT OVERVIEW (FOREIGN EXCHANGE)

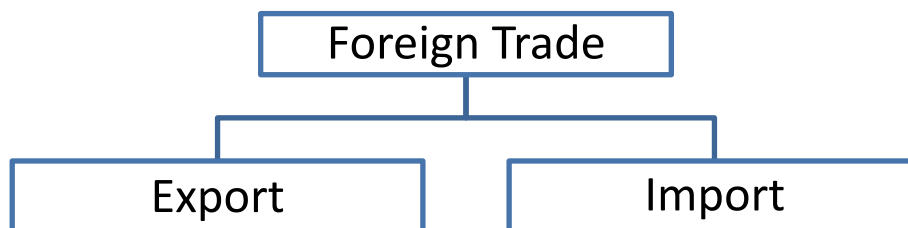
According to Foreign Exchange Regulation Act (FERA) 1947, “Anything that conveys the right to wealth in another country is foreign exchange. Foreign exchange means and includes all deposits, credits and balances payable in foreign currency as well as foreign currency instruments such as drafts, TCs, bill of exchange, Promissory Notes and Letters of Credit payable in any foreign currency.” In accordance with this definition any business activities related to Import, Export, Outward and Inward Remittances, buying and selling of foreign commissions, etc. fall under the concept of foreign exchange business.

Therefore a foreign exchange can be described as the system or process by which one country’s currency can be converted into another country’s currency. It can also be defined as the exchange of currency in terms of goods from one country to another country. This division of a bank is one of those services that not only facilitates the business of the businessmen but also contributes to the development of the economy as a whole. Foreign exchange department of banks plays a significant part through providing different services to the customers. This division can be categorized into two parts:

- Foreign Trade Department
- Foreign Remittance Department

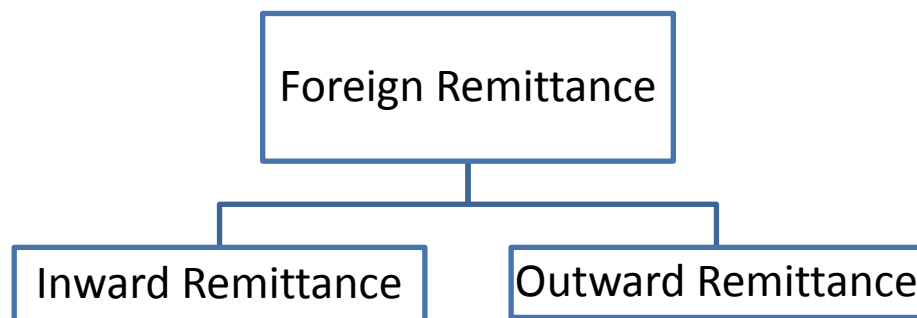
Foreign Trade Department of Bank Asia Limited (Corporate Branch)

Previously it has been mentioned that foreign trade means the exchange of foreign currency between two countries for the purpose to trade. In other words, foreign trade deals with foreign financial transactions related to trade or business. The Foreign Trade Department of a bank assists and enhances the global trade by providing different services to both importers and exporters of Bangladesh. In order for a bank to have a foreign exchange department it needs to be an authorized dealer approved by Bangladesh Bank which is the central bank for Bangladesh. In today’s world a bank not only supports the foreign trade of the business organizations of Bangladesh, but also connect the buyer to the seller who unknown to one another and are boundaries apart. Foreign trade department has two segments:



Foreign Remittance Department of Bank Asia Limited (Corporate Branch)

The purchase and sale of freely convertible foreign currencies is known as foreign remittance under the Foreign Exchange Regulations Act (FERA) 1947. Foreign remittance as a whole considers all sale and purchase of foreign currencies paid for import, export, travel and other purposes. Nevertheless, this department specifically manages the sale and purchase of foreign currencies for any purpose except for export and import. This department is divided into two parts:



JOB RESPONSIBILITIES

Offline Workings

- **Update the Foreign Documentary Bill Collection (FDBC):**

When a client (exporter) has shipped the goods and submitted the required documents according to the Letter of credit (L/C) to the bank, the bank needs to forward the documents to the foreign client's (importer) bank. While forwarding the documents, the bank provides a forwarding letter with a reference number, i.e., the FDBC number. According to the mode of payment mentioned in the L/C, the foreign bank will send the payment to the exporter's bank with the related reference number.

For this purpose, Bank Asia Limited maintains a separate register named as FDBC Register. This register contains the following information:

- Date
- Reference number (FDBC).
- Name of the drawer (exporter).

- Name of the drawee (importer).
- Name of the collecting bank.
- Bill amount in foreign figure.
- Exchange rate.
- Shipment date.
- Export form number.
- Tenor/Due Date
- Amount Realized and Date of Realization
- Date of Reporting to Bangladesh Bank.
- Export L/C number and date.

▪ **Update the Local Documentary Bill Collection (LDBC):**

When a client is a local exporter who has shipped the goods and submitted the required documents according to the Letter of credit (L/C) to the bank, the bank needs to forward the document to the client's (importer) bank. While forwarding the documents, the bank provides a forwarding letter with a reference number, i.e., the LDBC number. According to the mode of payment mentioned in the L/C, the importer's bank will send the payment to the exporter's bank with the related reference number.

For this purpose, Bank Asia Limited maintains a separate register named as LDBC Register. This register contains the following information:

- Date
- Reference number (LDBC).
- Name of the drawer (exporter).
- Name of the drawee (importer).
- Name of the collecting bank.
- Bill amount in BDT figure.
- Exchange rate.
- Shipment date.
- Export form number.
- Tenor/Due Date.
- Amount Realized and Date of Realization
- Date of Reporting to Bangladesh Bank.

- Export L/C number and date.
- **Fill out the Import Permit Form (IMP):**

According to rules and regulations of Bangladesh Bank all import payments into Bangladesh must be reported to Bangladesh Bank on IMP forms. The Importer submits signed IMP forms to the authorized bank. The bank fills up the forms and submits to Bangladesh Bank at the end of each month. In order to fill up the IMP form the following information are required:

- Name and address of the Exporter
- Remit Amount in the given currency.
- L/C Authorization Form Number (LCAF No.).
- L/C Date.
- Quantity of goods.
- Unit of goods.
- Invoice value.
- Country of origin.
- Port of Shipment.
- Port of Transportation.
- Name of the steamer.
- Indenter's name, address and registration number.
- Codes of month, country of origin, country receiving payment, unit.
- Signature Verification
- Seal and signature of the authorized dealer, i.e., Bank Asia Limited (Corporate branch).

After writing the IMP second copy within 14 days, third copy within one month we need to input the data in Bangladesh Bank Online Import Monitoring System.

- **Update the Export Permit Form (EXP) Register:**

Exporters need to fill out the Export Permit Forms (EXP) to ship their goods. A single set of EXP forms consists of four copies, original, duplicate, triplicate and quadruplicate. An exporter obtains a set of EXP form from its bank and fills out the information, such as the country of origin, currency, Incoterms, L/C no. or sales contract no., etc. The bank maintains an EXP register and according to this register the EXP number is given to the client (exporter). The authorized official of the bank verifies the information provided on the EXP with the documents such as the commercial invoice and gives his/her signature and

seal of the bank with the date of issue of the EXP. The EXP forms are submitted with the documents that need to be forwarded to the importer's bank.

Online Workings

▪ Input Export Permit Form (EXP) in Bangladesh Bank Online Export Monitoring System:

When the EXP number is given, bank has to issue the EXP online immediately into Bangladesh Bank Online Export Monitoring System. After the bank gives the EXP number to the exporter, he/she then submits the entire set EXP forms to customs office who verifies the information with the documents provided and then signs the form with seal and also writes the bill of entry (export) number along with the date. The customs keep the original copy of the EXP form and after completing the necessary work from their end, they submit it to Bangladesh Bank. The exporter then submits the duplicate, triplicate and quadruplicate copies to the bank. The bank needs to update the information using the duplicate copy online by opening the EXP form that has been issued previously and submit the duplicate copy to Bangladesh Bank. Lastly, when the exporter receives the payment the bank needs to further update the information online using the triplicate copy and also need to submit this triplicate copy to Bangladesh Bank. The quadruplicate copy of the EXP form remains with the bank as the office copy.

In order to input EXP online, the following documents and information are required:

- Bill of Entry (Export) for bill of entry number and date.
- Bill of Lading for shipment dates, port of shipment and transport document number.
- FDBC number and date.
- Commercial Invoice for invoice value.

▪ Input Export Permit Form (EXP) in Bangladesh Bank Online Export Monitoring System:

It is mandatory to input the L/C information both foreign and inland back-to-back L/C online in Bangladesh Bank Online Import Monitoring System. Once an inland back-to-back L/C is opened, the bank must also open the L/C online in the Online Import Monitoring System of Bangladesh Bank. Once the L/C is opened online and the documents provided by the exporter to the importer, who is the bank's client, are satisfactory and the bank must give L/C acceptance online in the Online Import Monitoring System of Bangladesh Bank. After the bank sends payment to the exporter, it further needs to update the L/C information online by giving L/C payment in Online Import Monitoring System of Bangladesh Bank.

**CONCEPTS, PAYMENT
PRACTICES, PROCESS,
CATEGORIES & PAYMENT
PROCEDURES OF LETTER OF
CREDIT**

The aim of my internship report is to provide an in-depth understanding of the foreign exchange department of Bank Asia Limited, Corporate Branch. Therefore it is necessary to know the definitions of a few terms and different payment practices in foreign trade. Moreover one must be acquainted with the process to open Letter of Credit (L/C), various categories of L/C and payment procedures of L/C to comprehend foreign trade.

Concepts of Foreign Exchange Department

In relation to UCPDC (Uniform Customs and Practice for Documentary Credit) 600, the concepts are mentioned below: abide

- **Applicant/Opener/Importer/Buyer:** Applicant (importer) is referred to the person/business organization who requests the bank to issue Letter of Credit (L/C) in support of the applicant corresponding to the terms and conditions mentioned in the sales contract or pro forma invoice between the buyer and seller.
- **Opening Bank/Issuing Bank:** An issuing bank is referred to a bank that issues Letter of Credit on behalf of the applicant, who is the client of the bank, to the exporter (beneficiary).
- **Exporter/Seller/Beneficiary:** An exporter is also known as the beneficiary in support of whom the Letter of Credit has been issued.
- **Advising bank:** An advising bank is the exporter's bank that accepts a Letter of Credit (L/C) issued by the issuing bank on favor of the exporter. The advising bank also authenticates the L/C and informs the exporter, i.e., the beneficiary.
- **Nominated bank:** A bank specified in the Letter of Credit (L/C) that has the authority to pay or receive payments. Usually the nominated bank is the exporter's bank, i.e., the advising bank unless any other bank is mentioned in the Letter of Credit.
- **Confirming Bank:** A confirming bank is a third bank that adds its confirmation at the request of the issuing bank. This bank guarantees payment to the exporter that if terms and conditions mentioned in the Letter of Credit will be abided by completely. In other word, the confirming bank at the request of the issuing bank gives confirmation to the Letter of Credit.

Payment Practices in Foreign Trade

Increased global competition has forced both the buyers (importers) and sellers (exporters) to agree to different payment methods that will facilitate them equally. Even though it will be beneficial for the exporters to receive payments before or right after shipment, it might not be advantageous for the

importers. Therefore the exporters and importers are in an agreement for appropriate payment mode. In general there are four major payment practices in foreign transactions that have been discussed below:

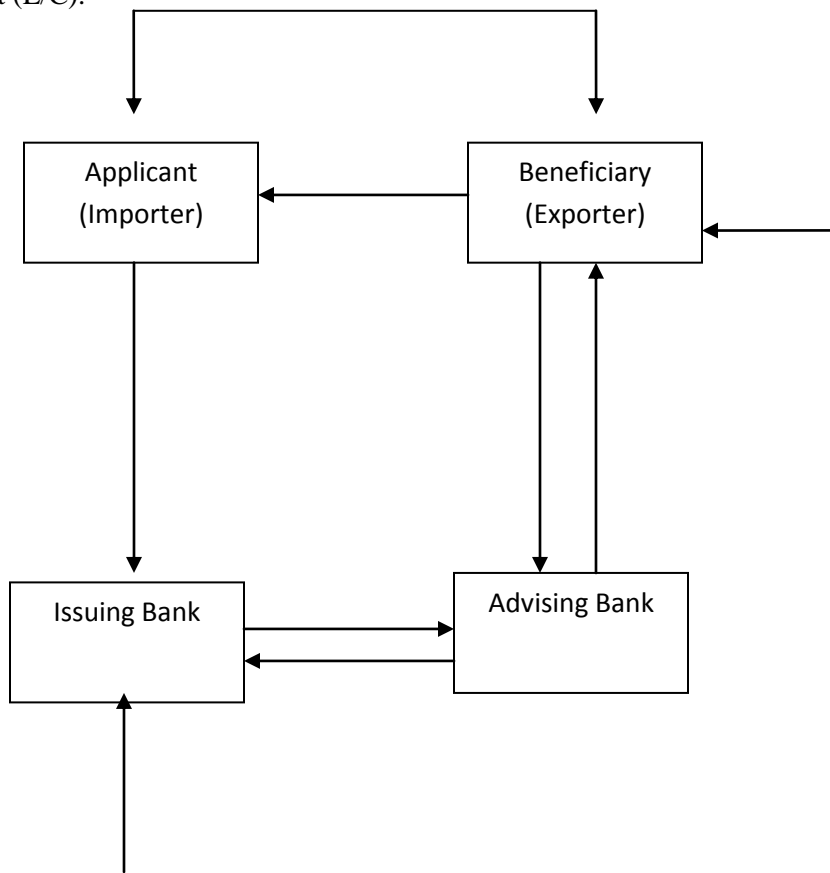
- **Advance Payment:** In this case the importer pays the exporter in advance through T.T before the exporter ship the goods, implying that exporter receives the payment before the importer gains possession of the goods. This process of payment is profitable for the exporters since the risk for receiving the payment is zero or minimal. However this payment practice is least advantageous for the importers due to the risk of not receiving the shipment. Therefore the importers impose some conditions in the Letter of Credit to make sure that they are secured. Generally, the condition is that the exporter cannot receive the payment in their account until they submit the exporter documents, such as the bill of exchange, bill of lading, commercial invoice, certificate of origin, etc. to the exporter's bank.
- **Consignment Payment:** According to this mode of payment, exporter receives the payment only when the importer sells the goods to his/her end customers. For example, the exporter exports raw materials to the importer. The importer will use the raw materials to produce the finished goods and sell it to his/her customers. After the importer gets his payments, he will make the payments to his/her exporter. Although the exporters have the possession of the goods until it is sold, this process is extremely risky for the exporters because payment is not guaranteed and exporter might have to wait to receive payment. Therefore the exporters enforce some conditions to reduce the risk.
- **Documentary Collections:** Sometimes importers may perhaps be worried about the exporter's credibility. Advance payment or consignment payment might not be the appropriate option for these importers. The payment process called documentary collections look after the benefit of both importer and exporter. This payment process is carried out through the banks. In accordance with this method, the exporter requires to submit export documents, such as bill of exchange, bill of lading, commercial invoice, packing list, certificate of origin, etc., to his/her bank in order to receive the payment from the importer. Once the importer's bank receives the documents, it is mandatory for the importer to pay the face amount written on the bill of exchange either at sight, i.e., payment is made right after documents are received, or on a specified date, i.e., the importer's bank will give acceptance and payment will be made on the date specified in the

agreement. This process is practiced under the rules set by ICC Uniform Rules for Collections (URC) that guide bankers, exporter and importers in the collections process.

- Letter of Credit (L/C):** This mode of payment is the most widely used in the foreign trade. A Letter of Credit is a bank's promise signifying that if the exporter fulfills all the terms and conditions mentioned in the L/C, then the bank is obliged to pay the exporter even if the importer fails to pay. Both the issuing bank and advising bank act a liaison through the L/C between the importer and the exporter and manages the documents only. The issuing bank verifies whether all the export documents have been sent as mentioned in the L/C. If any documents have not been sent by the exporter then the issuing bank informs the importer and through discussion with the importer may give a discrepancy. If discrepancy exists, then the exporter will not receive payment unless he/she meet the requirements to dismiss the discrepancy. A Letter of Credit is issued under the rules and regulations set by Uniforms Customs and Practice for Documentary Credits (UCP) that is regulated by the International Chamber of Commerce and Industries (ICC).

Process to Open Letter of Credit (From import and export perspective):

The chart below shows how participants are involved in the process of opening and payment of Letter of Credit (L/C):



At first the applicant and beneficiary negotiate the terms and conditions of the sales contract according to which a L/C will be opened. After negotiation, the exporter sends a pro forma invoice to the importer. The applicant fills a L/C application form collected from the issuing bank and applies to issue a L/C. In order to issue the L/C the bank requires the following documents sales contract or pro forma invoice, insurance cover note, etc. The bank verifies all the documents provided and issue a L/C and forwards it to the advising bank through SWIFT. The advising bank verifies the L/C and advises it to the beneficiary. The beneficiary matches the terms and conditions of the L/C with the pro forma invoice or contract. If the terms and conditions go along with the pro forma invoice, the beneficiary prepares to ship the goods along with the export documents. Once the goods are shipped the beneficiary submits the documents to the advising bank who forwards the documents to the issuing bank. The importer verifies the documents and if the documents provided comply with the documents required mentioned in the L/C, the issuing bank gives acceptance stating the maturity date of the payment.

Categories of Letter of Credit

Bank Asia Corporate offers three categories of L/C and they are:

- **Sight L/C:** In this case payment has to be made within five working days after the bank receives the documents from the advising bank.
- **Deferred L/C:** In such case the payment is made afterwards, i.e., after the due date. Due date is considered from the date of shipment. It is usually issued for 60 days, 90 days, 120 days as per the terms and conditions mentioned.
- **Back to Back L/C:** It is opened by an importer who requires raw materials or additional materials to produce his/her goods that will be exported. The value of this L/C can go up to 80% of the master L/C.

Payment Procedures of Letter of Credit

There are two process of payment:

- **Sight payment:** Payment is made as soon as the exporter forwards the export documents through the advising bank to the issuing bank.
- **Deferred Payment:** Payment is made later on. The payment date or maturity date is fixed as per the L/C terms and conditions.

IMPORT PROCEDURE OF BANK ASIA LIMITED

A country import goods that cannot be produced locally as efficiently or at a cheaper rate as those goods can be produced in another country. Moreover industries in a country may need to import raw materials or commodities that are not readily available within the country to produce finished goods. Therefore a country needs to import to meet the demand of its people along with positive or stable balance of trade.

According to Import and Export (Control) Act, 1950, any importer and exporter needs to have Import Registration Certificate (IRC) and Export Registration Certificate (ERC) respectively provided by the Office of the Chief Controller of Imports & Exports(CC I & E). This certificate will allow the importer or exporter to import or export any permissible item of any value and without any restrictions on quantity imported or exported and no further permission from any other authority is required.

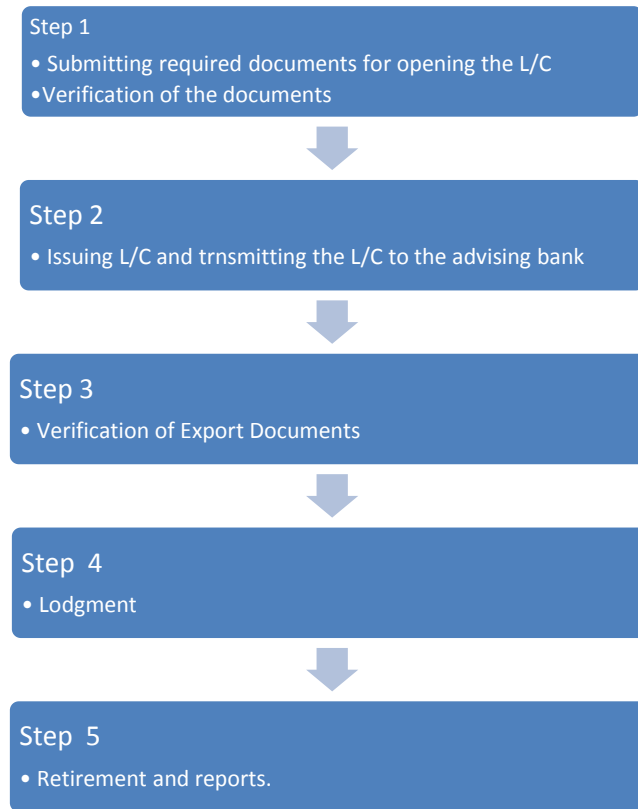
An importer or exporter can obtain Import Registration Certificate (IRC) or Export Registration Certificate (ERC) by submitting the following documents:

- Trade License
- Membership Certificate from recognized Chamber/Trade Association
- Tax Identification Number
- Bank Certificate
- Memorandum and Articles of Association and Certificate of Incorporation (in case of Limited Company).

After an importer obtains IRC, he/she is a qualified importer. In order to open a L/C the importer will require acquiring Letter of Credit Authorization Form (LCAF) from his/her bank. When the importer fills out the LCAF and submits it with other required documents such as pro forma invoice, sales contract, insurance cover note, etc, the bank will issue an L/C, where the importer will be the applicant and the exporter will be the beneficiary.

An importer can import goods under two types of LCAF:

- Commercial: When an importer imports commercial goods, such as bags, toys, shoes, etc., he/she needs acquire commercial LCAF.
- Industrial: When an importer imports industrial goods, such as capital machineries, industrial raw materials (dyeing chemicals, yarn, etc.), etc., he/she needs to acquire industrial LCAF.



Step-1:

Firstly, the importer and exporter join in a sales contract with the intention to do business. The contract specifies the details of the goods such as the value of the goods, quantity required, latest date of shipment, payment method, shipment mode, etc. An L/C is issued on these conditions mentioned in the contract.

Once both the importer and exporter agrees to terms and conditions of the contract, the importer needs to submit required documents to the bank in order to issue a L/C. The documents required are given below:

1. Letter of Credit application form that contains the information of the applicant and beneficiary. The form also contains the total L/C amount, country of origin of goods, mode and type of payment, port of shipment, and latest date of shipment. It also includes the draft amount, exchange rate, equivalent BDT amount, margin, commission, stamp and other charges.
2. Pro forma invoice copy or sales contract.
3. Insurance cover note policy must be submitted to make sure that the security of the goods is covered by insurance.

4. IMP form containing the signature and seal of the authorized personnel of the company.
5. Letter of Credit Authorization Form (LCAF) mentioning the H.S code (Harmonized System Code) that represents the category of goods, quantity of goods, invoice value, IRC number, LCAF number.
6. Agreement form that includes details contract between the parties.
7. Charge Document.

Along with the above mentioned documents the importer requires to submit the following documents:

1. Trade License.
2. Import Registration Certificate (IRC).
3. Income Tax Declaration of TIN no.
4. Membership Certificate.
5. Memorandum of Association (Only for Limited companies).
6. Registered Deed (Only for Partnership firms).

When the importer submits all the documents, the bank verifies the documents.

Step-2:

If the documents submitted by the importers are accurate then a L/C is issued and needs to be transmitted to the advising bank. There are three ways of transmission:

- Telex
- Courier
- SWIFT (Society for worldwide inter telecommunication network).

Bank Asia Ltd. transmits its L/C through the SWIFT. After the L/C has been transmitted and acknowledged by the SWIFT arrangement of the advising bank, the issuing bank gives one copy to the importer and keeps another copy as the office copy.

Upon receiving the L/C, the exporter produces the goods and ships the goods as per the latest date of shipment.

In case the importer and exporter want to make changes in the terms and conditions of the L/C then the importer requires the issuing bank to issue an amendment. Amendment means modifying any terms and conditions in the L/C.

According to the guideline for Foreign Exchange amendments include:

1. Extension of shipment date or expiry date.
2. Increase or decrease of invoice value within L/C limit.
3. Alteration of any specifications, such as price or quantity to be imported.

Step-3:

When the exporter produces the goods and ships them, a number of documents must be prepared and submitted to the advising bank that forwards the document to the issuing bank. The documents required to be submitted are mentioned in the L/C. The required documents include:

- Bill of exchange
- Bill of Lading
- Insurance policy
- Inspection certificate
- Commercial invoice
- Packing list

The instant the issuing bank receives the above mentioned documents they verify these documents to check whether all the documents as per the L/C have been forwarded.

Step-4: Lodgment

Once the importer gives approval that the import documents are proper, the issuing bank transmits an acceptance message through the SWIFT to the advising bank notifying that the documents have been accepted and payment will be made to the exporter within the maturity date. Moreover the issuing bank enters the records of the import bill into its register. In case the importer feels that the documents are insufficient, he/she requests the issuing bank to issue a discrepancy and sent it to the advising bank through the SWIFT. The payment is stopped until the exporter dismisses the discrepancy.

Step-5: Retirement & Reports:

Once the issuing bank pays the import bills, it issues vouchers of the bill for the importer. The voucher includes the detailed transaction information, mentioning the bank's charges, margins, etc. The retirement process includes the following steps:

1. Interest calculation (if any).
2. Register entry.
3. Endorsement on the bill of exchange.

At the end of the month the completed original IMP form attached with a copy of the commercial invoice and pro forma invoice is reported to the Bangladesh Bank. The duplicate IMP form along with a commercial invoice is kept with the bank as an office copy. After recording in the IMP form the particulars of the remittance the original copy of the IMP. Moreover, the returns of the bill lodged are also reported to Bangladesh Bank.

According to Bangladesh Bank guidelines for Foreign Exchange, every bank also needs to report the information of the L/C in the Bangladesh Bank Online import Monitoring System.

EXPORT PROCEDURE OF BANK ASIA LIMITED

Export is described as the production of goods or products in one country and selling them in other countries. When a country can produce goods efficiently and at a cheaper rate, it can produce them in bulk amount satisfying the local demands. The excess is sold to foreign countries. Export is one of the major ways to earn foreign currency and to have a positive balance of trade. In Bangladesh export trade contributes to mostly to the GDP.

As mentioned previously, export and import is controlled by the Import and Export (Control) Act, 1950. In order to become a valid exporter one has to obtain the Export Registration Certificate (ERC) provided by the Office of the Chief Controller of Imports & Exports(CC I & E). This certificate can be obtained by submitting the same documents that is required for an importer.



Step-1:

When the advising bank receives the L/C from the issuing bank, it advises the L/C to the exporter. The advising bank also keeps one copy of the L/C as the office copy.

Step-2:

According to the Bangladesh Bank guideline for Foreign Exchange, all exports must be reported to Bangladesh Bank through the EXP form. The exporter acquires a set of EXP form that consists of four copies from the bank. The bank maintains an EXP register and gives EXP number to the exporter from that register after verifying all the information. The exporter then take the EXP form and submit it to the customs house, which after finishing the job returns three copies of the form and keeps the original copy. The bank also needs to immediately issue the EXP in the Bangladesh Bank Online Export Monitoring System.

An EXP form is comprised of the following details:

- Name & address of the authorized dealer (advising bank).
- Unit of goods
- Quantity of goods
- H.S Code
- Country of Destination
- Port of Destination
- Invoice value
- Incoterm
- Name and address of the importer.
- Transport number of the vessel.
- Shipment date
- Port of shipment.
- Name and address of the exporter.
- Sector (Public or Private) under which the exporter falls.

Step-3:

After the exporter ships the goods, the export documents must be prepared as stated in the L/C and submitted to the advising bank within fourteen days of shipment. The exporter must also submit the EXP forms to the bank so that the bank can complete the work from its end. The bank sent the export

documents to the issuing bank with a forwarding letter declaring the type of documents and the number of copies sent. The forwarding letter also includes the importer's name and address along with the invoice number and invoice value. Most importantly, the advising bank mentions the FDBC number of the documents for reference that will be needed when the issuing bank will make the payment.

- Bill of exchange: The way of collecting export payment to the importer.
- Bill of Lading or Airway bill or truck receipt (transport document)
- Certificate of Origin
- Inspection Certificate
- Commercial Invoice
- Packing List
- Bill of Entry
- Beneficiary's Certificate

Generally these above mentioned documents are submitted by the exporters. However, if the importer mentions any other documents in the L/C then the exporter must submit those.

Step-4:

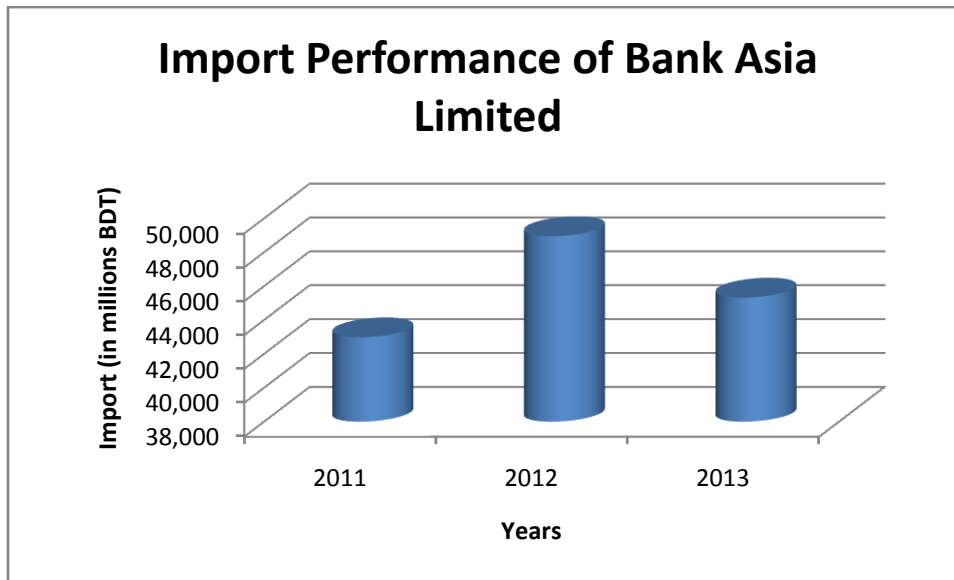
The issuing bank can give the acceptance for the payments to the advising bank when it receives the export documents and the importer approves the documents. The advising bank will receive the payment within the time mentioned in the L/C. IF the issuing bank and the advising bank has a NOSTRO account arrangement, then the advising bank will receive the payment directly. Otherwise the issuing bank will make the payment through another bank known as the nominated bank with which it has a NOSTRO arrangement.

Step-5: Reports

Once the bank receives the export documents, it reports the duplicate copy of the EXP on the Bangladesh Bank Online Export Monitoring System. Finally when the bank receives the proceeds, it has to report the triplicate copies of the EXP on the Bangladesh Bank Online Export Monitoring System. Once reported online, the duplicate and triplicate copies of the EXP forms are forwarded to the Head Office with a forwarding letter from the branch.

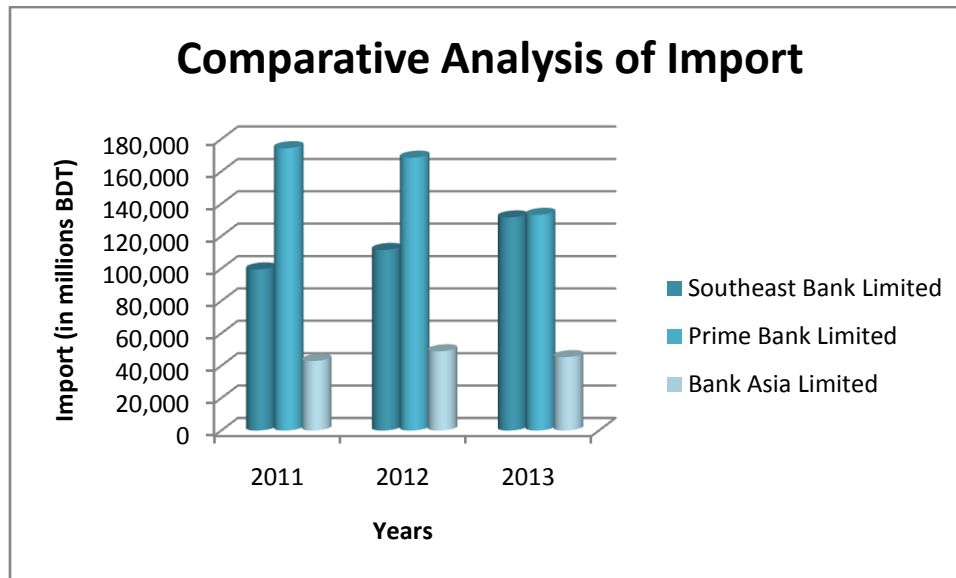
**COMPARATIVE ANALYSIS
OF
IMPORT & EXPORT
OF
BANK ASIA LIMITED**

Import Performance of Bank Asia Limited



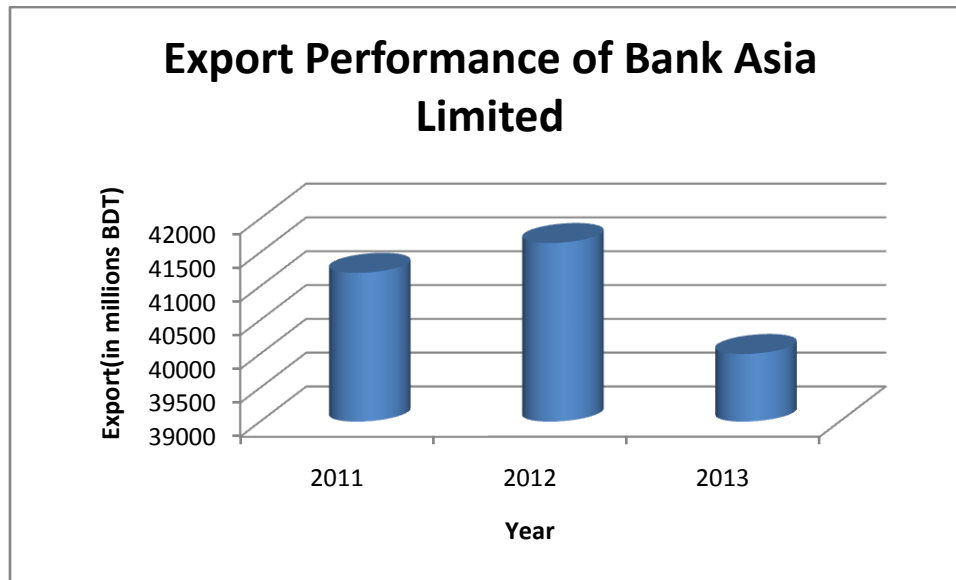
The graph above shows that the import of Bank Asia Limited has improved from 2011 to 2012. The total import was 42,983 million BDT in 2011. However in 2013 import decreased to 45,330 million BDT. The political instability was the major reason behind the declination.

Comparative Analysis of Import of Bank Asia Limited



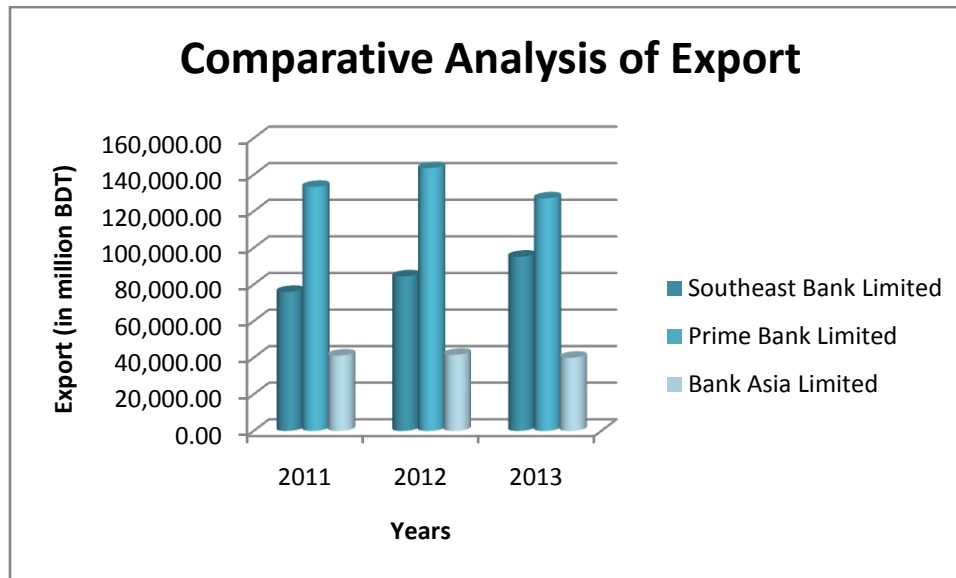
In order to have an overall viewpoint of the import of Bangladesh, I have compared the import of Bank Asia with that of Southeast Bank limited and Prime Bank Limited. From the graph above it can be observed that both the banks' performances are better in comparison to Bank Asia Limited. One of the reasons is that both the banks are in operation longer than that of Bank Asia. As a result they are more visible in the market. The graph also represents that the overall import of Bangladesh improved in 2011 and 2012. Most importantly, import of all the three banks decreased in 2013.

Export Performance of Bank Asia Limited



The graph above shows that the export of Bank Asia Limited has improved from 2011 to 2012. The total export was 41,200 million BDT in 2011. Although export increased but the growth was not as high as it was in import. On the other hand export decreased to 40,000 million BDT. The political instability was the major reason behind the declination.

Comparative Analysis of Export of Bank Asia Limited



Bangladesh's GDP is mostly export oriented. Therefore we need to have an overall viewpoint of the export of Bangladesh. I have compared the export of Bank Asia with that of Southeast Bank Limited and Prime Bank Limited. As mentioned previously both these two banks are in operation for a longer period compared to Bank Asia Limited and thus are performing better. The graph shows that the overall export of Bangladesh improved in 2011 and 2012. However this improvement is very minimal compared to the potential of Bangladesh. Moreover the exports of all the three banks have decreased in 2013.

FINDINGS & RECOMMENDATIONS

Findings

While preparing the report and analyzing the data, I have identified some major findings. I have only worked at the Corporate Branch of Bank Asia Limited. Therefore if the practices and corporate culture of Bank Asia as a whole is believed to be the same as at the Corporate Branch, then the following are the findings of my report:

- The employees of most departments are not satisfied with the management regarding the amount of work that they have to do. Moreover they have to put up with a lot of difficulty to apply for the annual leave (LFA) even though they apply for the leave on due time.
- There is observable manpower shortage in the foreign exchange department of Bank Asia Limited. Consequently the work load is extremely high compared to any other departments. This also leads to accumulation of work that the employees must complete within the deadline. For example, in the year 2014, most of the inland Letters of Credit opened at this branch were not updated in the Bangladesh Bank Online Import Monitoring System. A few days back Bangladesh Bank sent a query showing that approximately 675 Letters of Credit were overdue. Bangladesh Bank gave a time frame of one month within which all these Letters of Credit must be updated. In addition there were more than 700 EXP forms from last year that were not entered in the Bangladesh Bank Online Export Monitoring System. All these forms needed to be entered within three weeks time as stated by Bangladesh Bank.
- Bank Asia Limited is a customer-oriented bank where the customer is given the priority. Therefore whenever a corporate client of the foreign exchange asks for a service, such as to issue a L/C or to provide PRC (proceed realization certificate), the employee must provide it within a short span of time. This happens repeatedly disturbing the normal workflow of the employee.
- Bank Asia Limited tends to follow the instructions of Bangladesh Bank. However due to the immense pressure of the clients, the employee has to provide a service that is against the rule and might be risky. For example, a client must take the EXP form from the Bank after providing the commercial invoice. However in reality the clients take EXP books in advance from the bank. They then take the EXP number from the bank over the phone and submit the EXP later.
- The employees are unhappy with some of the actions taken by the management. For example, an employee is transferred from the foreign exchange department to another department within the branch. The transfer takes place within a span of one to two days which is a very short time for the foreign exchange employee to train his/her replacement. This is a disturbance for other foreign exchange employees because they have to train a new employee and after sometime the same incident is repeated.

- Bank Asia Limited provides extensive training facilities to its employees to develop their skills and knowledge about the entire banking system. However with the existing manpower shortage, an employee is sent to training without any replacements. This increases the work pressure for other employees and leads to customer dissatisfaction due to delay of work.
- The internet facility of Bank Asia limited is extremely poor. Recently this is a major issue because it is mandatory by Bangladesh Bank to input EXP and L/C information online as soon as they are issued. Due to slow internet connections it becomes difficult for the employees to input the information online. This also adds to customer dissatisfaction because if the information is not entered into Bangladesh Bank Online System then the customer cannot release or ship goods.
- Lack of space is another problem for the foreign exchange department. Since the department needs to keep all the files of five years in addition to the recent year's files, the storage has become a major issue. The files are scattered here and there hampering the image of Bank Asia Limited.
- The import is higher than that of export, therefore giving a negative trade of balance.

Recommendations

The internship experience has provided me an insight of the foreign exchange department. Bank Asia Limited is a leading commercial bank and is bound to have problems. However these problems must be resolved in order to progress. Therefore I provided the following recommendations to the above mentioned findings to reduce the problems and to move forward towards progress:

- The management of the bank should try to resolve disputes and dissatisfaction amongst the employees.
- The management should reduce the manpower shortage by appointing skilled and dedicated employees.
- The bank must look after the customer since it is a service organization. However, it should reduce the practices such as issuing EXP number over the phone to avoid any kind of problems in future.
- The bank should use latest software to fast forward their jobs. Moreover, the internet facilities have to be looked into so that they can provide faster services.
- The management must work in coordination with the branches and thus plan the training programs accordingly.

- If required they should rent bigger office space to reduce the storage problem. In this case the management needs to work swiftly to take any decisions if they do not want to compromise their standards.
- The import and export volume must be monitored. At present, import is greater than export causing the balance of trade to be negative. The bank must try to increase export volume and also to reduce the gap to increase profitability and stability.

CONCLUSION

With the increase in the economic development in Bangladesh, the financial institutions' roles are extremely crucial. Bank Asia Limited is a third generation Bank that is also contributing to the socioeconomic development of the country. Although Bank Asia Limited has some issues to be resolved, yet it is progressing and has a greater prospect to develop further once the problems are resolved.

Internship is vital for us because we have only acquired theoretical knowledge. This program gives us the opportunity to have the practical knowledge so that we can match the theories to the reality. I am fortunate enough to complete my internship at bank Asia Limited, Corporate Branch. Moreover I got the chance to work in the foreign trade department which is considered to be one of the core departments of a bank. Although the internship period is extremely short to learn or acquire in-depth knowledge, yet it gave me a taste of the corporate world.

Bank Asia Limited is working tremendously to become one of the pioneers in banking. The members management are well-educated and it about time that the bank achieve its goals. However the bank must introduce advanced software and technologies to provide faster service to its customers. If they can ensure their customers about the service quality it will give them the opportunity to attract new and bigger clients.

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APPENDIX

Table-I

Comparative Analysis of Export			
	2011	2012	2013
Southeast Bank Limited	75,982.06	84,464.20	95,220.40
Prime Bank Limited	133,396	143,612	127,091
Bank Asia Limited	41200	41641	40000

Table-II

Export of Bank Asia Limited			
	2011	2012	2013
Bank Asia Limited	41200	41641	40000

Table-III

Comparative Analysis of Import			
	2011	2012	2013
Southeast Bank Limited	99,509	111,538	131,645
Prime Bank Limited	174,384	168,532	133,219
Bank Asia Limited	42,983	48,954	45,330

Table-IV

Import of Bank Asia Limited			
	2011	2012	2013
Bank Asia Limited	42,983	48,954	45,330