

Internship Report

On

“Instruments of Foreign Trade Finance of Dhaka Bank Limited-CPC Trade Operations”





Submitted to:

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Letter of Transmittal

December, 2014

Ariful Ghani

Academic Supervisor

Department of BRAC BUSINESS SCHOOL

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Subject: Submission of internship report on instruments of foreign trade finance of Dhaka Bank Limited, CPC Trade Operations

Dear Sir,

With due respect, I would like to inform you that I have done my internship report on instruments of foreign trade finance of Dhaka Bank Limited, CPC Trade Operations as per your instruction.

I have worked in three departments of CPC Trade Operations, the Local Payment Department, the Document Scrutiny Department and Import Payment Reporting Department as an intern for three months period and have gathered a lot of practical experience and knowledge regarding the foreign trade financing activities executed by CPC Trade Operations. This work experience in Dhaka Bank Limited will help me a lot in developing my future career in the financing sector.

Considering the limited time and knowledge I have gathered through work experience, I have tried to prepare an informative report explaining about different aspects, scenarios and instruments that are widely used in export-import transactions of Dhaka Bank Limited. I will be glad to provide you with further explanation or clarifications regarding the internship report. I will be grateful if you kindly approve this effort and give me your valuable judgment upon this report.

Sincerely Yours,

Reynold Immanuel Paul (Id: 11104081)

Acknowledgement

It was a great pleasure for me to be assigned under the guidance of Ariful Ghani, faculty of BRAC Business School, BRAC University who was my academic supervisor. His guidance and cooperation has made me prepare this report with due diligence.

Moreover, I would also like to express my gratitude to my field supervisor, K.M. Moshir Rahman, First Vice President of CPC Trade Operations, whose confidence and supervision has helped me in working in three different departments – Local Payment Department, Import Payment Reporting Department and Document Scrutiny Department. My supervisor has given me a lot of encouragement while doing different tasks in various departments. I would also like to express my gratitude to Muhammad Burhan Uddin, Assistant Vice President, Ovi Khan, Document Scrutiny Officer and other employees who have shown patience in guiding me in doing various tasks and helped me if I was facing any problem in doing any tasks.

Executive Summary:

The banking sector of Bangladesh plays a significant role in boosting the economy of the country and Dhaka Bank Limited is recognized as one of the reputed Private Commercial Banks of the country. Dhaka bank Limited started its journey as a Public Limited Company on April 6, 1995 but now it operates as a Private Commercial Bank which has its presence at 78 locations across the country. Dhaka Bank Limited registered itself in the Dhaka Stock Exchange and Chittagong Stock Exchange in the year 2000. The bank has products and services ranging from Consumer Banking, Corporate Banking, SME Banking, and Islamic Banking to Foreign Trade Financing. Considering the importance of foreign trade financing, Dhaka bank Limited has centralized its trade operations in the year 2009 by establishing CPC Trade Operations that carries out the foreign trade financing activities of the Authorized Dealer branches (AD). The foreign trade financing activities of CPC Trade Operations are facilitated by the use of various instruments like Letter of Credit, Loan against Trust Receipt (LTR), Indent, Proforma Invoice, Commercial Invoice, Bill of Exchange, Letter of Credit Authorization Form, Bill of Lading, Shipping Guarantee, Packing List, Air Waybill, Bill of Entry, Customs Import Declaration, Customs Export Declaration, Clean Report of Findings (CRF), EFTN, etc. Moreover, CPC Trade Operations is well equipped with trained officers who are expert in proper utilization of the instruments and other resources and delivers risk free, convenient and smooth service to their export and import business clients and helps in building long lasting ties with them. CPC Trade Operation helps the export and import business to flourish and boosts the economy by earning foreign exchanges and remittances from the overseas nations.

Contents	Table of Content	Page No:
1.	Chapter 01 Organization Overview	1-18
2.	1. Introduction	2-3
3.	1.1 Historical Background of Dhaka bank Limited	3-4
4.	1.2 Goals, Objectives, Mission Statement and Vision	4-5
5.	1.3 Operational Network	6
6.	1.4 Organization Chart	7
7.	1.5 Product and Service Offerings of Dhaka Bank Limited	8-18
8.	1.5.1 Consumer Banking	8-11
9.	1.5.2 Islamic Banking	12-13
10.	1.5.3 Corporate Banking	13-17
11.	1.5.4 SME Banking	18
12.	Chapter 02 Description and Specification of my job	19-26
	2. Description and Specification of the job	20
	2.1 Local Payment Department	20-23
	2.2 Document Scrutiny Department	23-24
	2.3 Import Payment Reporting Department	24-25
	2.4 Observation and Recommendation	26
13.	Chapter 03 Instruments of Foreign Trade Finance	27-44
	3.1 Summary	28
	3.2 Objective of the report	28
	3.3 Methodology	29
	3.4 Limitations	29
	3.5 Instruments of Foreign Trade Finance Activity	29-44
14.	Chapter 04 Findings, Recommendation and Conclusion	45-48
	4.1 Analysis and Findings	46
	4.2 Strengths of Foreign Trade Financing	46-47
	4.3 Recommendation	47
	4.4 Conclusion	48
	4.5 References	49

Chapter-01

Organization Overview

1. Introduction:

The financial system of Bangladesh consists of the Bangladesh Bank, Scheduled and Non-Scheduled Banks, non-bank financial institutions, micro finance institutions, insurance companies, credit rating agencies, stock exchange, etc. In the year 1971 the banking system of Bangladesh consisted of two branch offices of the former State Bank of Pakistan and seventeen large commercial banks, two of which were controlled by Bangladeshi interests and three by foreigners other than west Pakistanis. Besides this there were fourteen smaller commercial banks and all of the banking services were concentrated in urban areas. Soon after the independence the Government of Bangladesh designated the Dhaka branch of the State Bank of Pakistan as the central bank and renamed it Bangladesh Bank. The central bank was responsible for regulating currency, controlling credit and monetary policy, administering exchange control and the foreign exchange reserves. The Government of Bangladesh initially nationalized the entire domestic banking system and proceeded to reorganize and rename various banks. Meanwhile, the foreign-owned banks were permitted to continue doing business in Bangladesh. The primary function of the credit system throughout the 1970s was to finance trade and the public sector. The number of rural bank branches doubled between 1977 and 1985 to more than 3330. After the private industrial growth Bangladesh bank and the World Bank began to focus their lending on the emerging private manufacturing sector.

After the independence the banking industry in Bangladesh started its journey with six nationalized commercial banks, two state owned specialized banks and three foreign banks. The banking industry of Bangladesh achieved significant expansion with the entrance of private banks in the year 1980. Currently, the banks in Bangladesh primarily are of two types – Scheduled Banks and Non-Scheduled Banks. The banks which get license to operate under Bank Company Act, 1991 (Amended in 2003) are termed as Scheduled Banks. On the other hand, the banks which are established for special and definite objectives and operate under the acts that are enacted for fulfilling those objectives are termed as Non-Scheduled Banks.

There are 56 Scheduled Banks in Bangladesh which operate under full control and supervision of Bangladesh Bank in compliance with Bangladesh Bank Order, 1972 and Bank Company Act, 1991. The Scheduled Banks can be classified into four categories which are – State Owned Commercial Banks (SOCBs), Specialized Banks (SDBs), Private Commercial Banks (PCBs) and

Foreign Commercial Banks (FCBs). There are 4 State Owned Commercial Banks which are fully owned by the Government of Bangladesh. There are 4 specialized banks majorly owned by the Government of Bangladesh which were established for specific objectives like agricultural or industrial development. One of the renowned Specialized Bank is Bangladesh Krishi Bank, a specialized agricultural banking institution from which the farmers and the fishermen borrow money for agricultural development. There are 39 Private Commercial Banks which are majorly owned by the private entities and these banks can be categorized into two groups – Conventional PCBs and Islami Shariah Based PCBs. There are currently 31 Conventional PCBs operating in the banking industry and they perform interest based operations. There are 8 Islami Shariah Based PCBs in Bangladesh who execute banking activities according to Islami Shariah based principles i.e. Profit-Loss Sharing (PLS) mode. There are 9 Foreign Commercial Banks operating in Bangladesh as the branches of the banks which are situated in foreign countries. Besides the Scheduled banks there are 4 Non-Scheduled banks operating in the banking industry of Bangladesh which are – Ansar VDP Unnayan Bank, Karmashangosthan Bank, Probashi Kollyan Bank and Jubilee Bank.

1.1 Historical Background of Dhaka Bank Limited:

Dhaka Bank Limited is a brainchild of a host of committed entrepreneurs and farsighted dreamers of banking excellence. Dhaka Bank was established as a Public Limited Company on April 6, 1995 under Companies Act, 1994 and the company commenced banking operations on July 5, 1995 with an authorized capital of Tk. 1000 million and paid up capital of Tk. 100 million. The Present authorized capital of the bank is Tk. 10000 million and the paid up capital of the bank stood at Tk. 5685129640.00 as on June 30, 2014. From the very beginning of its journey, Dhaka Bank has brought into focus the heritage and history of Dhaka and Bangladesh from Mughal outpost to modern metropolis. Most of its presentation, publication, brand initiatives, delivery channels and financial manifestations bear the bank's commitment to this attachment. Today the bank is widely recognized for its exceptional service, simplicity, proximity and cutting-edge way of delivery.

Dhaka Bank has stood out for its financial strength and operational craftsmanship marking its position as the potential market player in all core areas of banking in the country. In the year 2000, Dhaka Bank Limited got itself listed in Dhaka Stock Exchange (DSE) and Chittagong

Stock Exchange (CSE). Dhaka Bank Limited got hold of a country wide reach through its large network of branches, ATMs, SME channels, agricultural outreach and mobile banking. Dhaka Bank Limited has established its presence at 78 locations including 2 Islamic Banking Branches, 1 Offshore banking Unit, 3 SME Service Centers, 1 Business Kiosk and 46 ATMs across the country. The bank has also established a subsidiary company named ‘DBL Securities Ltd’ which has six countrywide branches catering to the needs of Capital Markets.

Dhaka Bank Limited’s relationship with and beyond banking boosted by superior customer service and good governance culture has given the bank a proud brand image which is – ‘Excellence in Banking’. This brand image is taking shape in the employees’ everyday excellence from improved customer service, corporate governance, and innovative products and caring for the society.

The first dividend of DBL was declared on March 16, 1996 and the Initial Public Offering (IPO) was made in the year 1999. The first ATM of DBL was introduced on February 24, 2002. The first Consumer Banking or Retail Banking of DBL was launched on March 29, 2002 and first Islamic Banking commenced on July 2, 2003. The Real-time Online Banking of DBL started on April 1, 2004. The Flexcube which is a transition to Centralized Banking System also started on April 1, 2004. On May 22, 2006, the Offshore Banking Operation was launched for the first time. The launching of Internet banking happened on September 5, 2007 and the Centralization of Trade and Credit Operations was initiated on April 1, 2009. The Research & Development Unit of DBL was established on December 28, 2011 and the Automated Deposit Machine (ADM) was introduced for the first time on April 29, 2013.

1.2 Goals, Objectives, Mission Statement and Vision:

1.2.1 The Mission Statement of Dhaka Bank Limited:

To be the premier financial institution in the country providing high quality products and services backed by latest technology and a team of highly motivated personnel to deliver Excellence in banking.

1.2.2 The Vision of Dhaka Bank Limited:

The employees of Dhaka Bank Limited are committed to assure a standard that makes every banking transaction a pleasurable experience. Their endeavor is to offer their customers supreme service through accuracy, reliability, timely delivery, cutting edge technology and tailored solution for business needs, global reach in trade and commerce and high yield on investments by their customers.

1.2.3 The Goals and Objectives of Dhaka Bank Limited:

Dhaka Bank Limited's people, products and processes are aligned to meet the demand of its discerning customers. Their goal is to achieve a distinct foresight and offer full range of banking and investment services for personal and corporate customers backed by the state-of-the-art-technology and a team of highly motivated professionals. The team of Dhaka Bank Limited expects to rise from the heart of Bangladesh as a stronger force in the market they serve. They are committed to their goals of creating superior shareholder value in their quest for excellence as they grow and mature into a banking veteran. The primary objective of Dhaka Bank Limited is to deliver a quality that demonstrates a true reflection of their vision – Excellence in Banking. Besides this, the objectives of Dhaka Bank Limited are to conduct transparent and high quality business operation based on market mechanism within the social and legal framework. The bank's motto is to generate profit with qualitative business as a sustainable ever-growing organization and enhance fair returns to the shareholders.

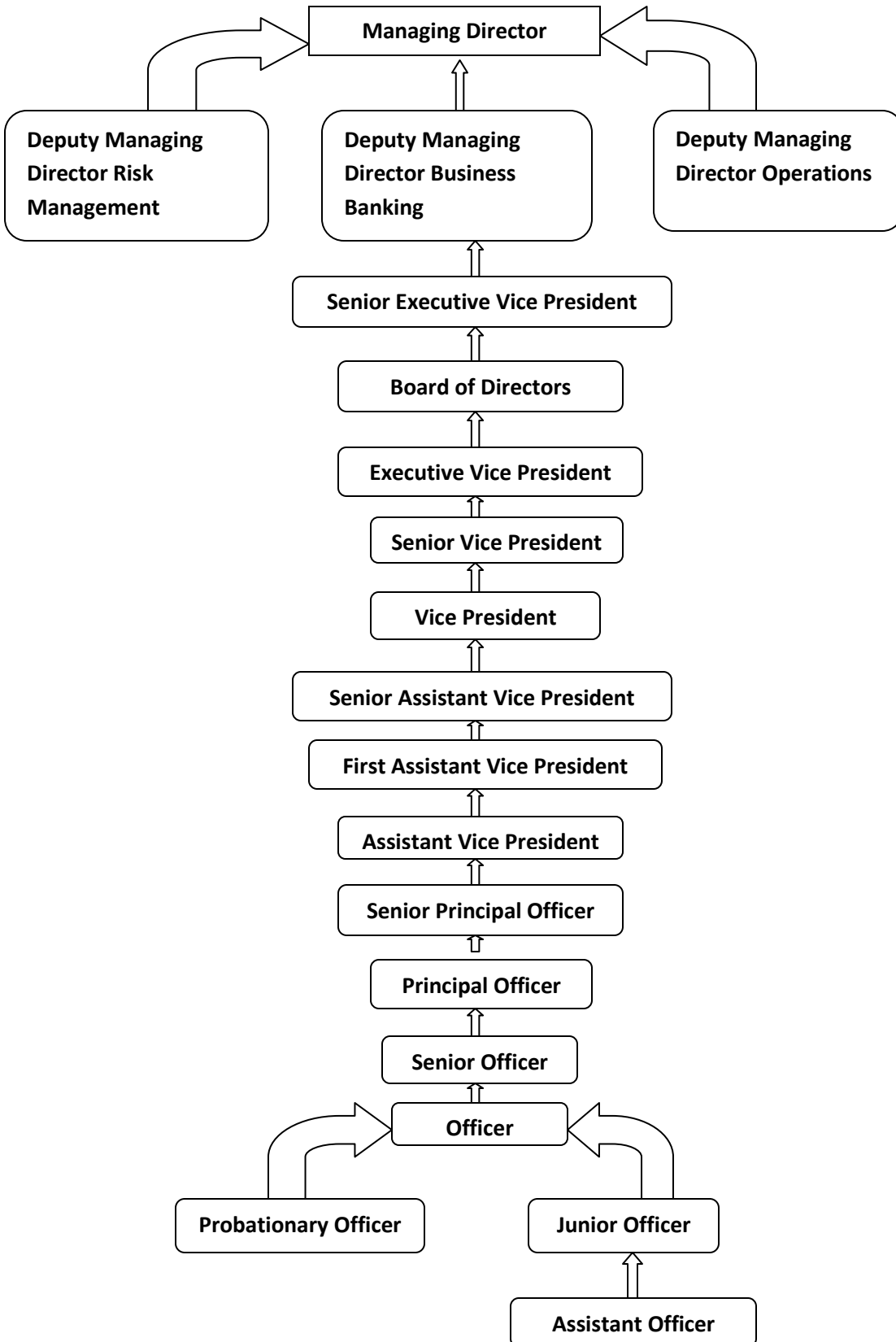
1.2.4 The Corporate Values of Dhaka Bank Limited:

- Customer focus
- Integrity
- Quality
- Teamwork
- Respect for the individual
- Responsible citizenship

1.3 Operational Network:

Dhaka Bank Limited's operational network is divided into Dhaka region, Chittagong region, Rajshahi region, Narayangonj region, Sylhet region, etc. Some of the DBL branches within the Dhaka region includes – Amin Bazar branch, Banani branch, Baridhara branch, Dhanmondi branch, DEPZ branch, Local office, Mohakhali branch, Foreign Exchange branch, Uttara branch, Islamic Banking branch, Imamgonj branch, Mirpur branch, Gulshan branch, Karwan Bazar branch, Bangshal branch, etc. Some of the DBL branches within the Chittagong region includes – Agrabad branch, Cox's Bazar branch, Feni branch, Comilla branch, Jubilee Road branch, Hathajari branch, Khatungonj branch, Islamic Banking branch, etc. Some of the DBL branches in the Narayangonj region includes – Narayangonj branch, Madhabdi branch, B.B. Road branch, etc. In the Sylhet region some of the branches of DBL includes – Habiganj branch, Moulovibazar branch, Laldighirpar branch, etc. Some of the DBL branches in the Rajshahi region are – Belkuchi branch, Rajshahi branch, Bogra branch, Rangpur branch, Dinajpur branch, etc. Some of the other branches includes – Barisal branch, Jessore branch, KDA Avenue branch, Kishorgonj branch, Faridpur branch, etc. Besides these there are few SME Service Centers at CEPZ, Goran and Shewrapara, two Off-shore Banking Units at DEPZ and CEPZ and some bill/cash collection booths at other areas.

1.4 Organization Chart:



1.5 Product and Service Offerings of Dhaka Bank Limited:

1.5.1 Consumer Banking:

Dhaka Bank is one of the pioneering banks in Consumer Banking sector among local and multinational institutions and in the year 2002 Consumer Banking was launched at Dhaka Bank Limited. The Consumer Banking Division (CBD) of Dhaka Bank Limited is composed of 4 units providing services through all the 74 branches and the units are – Marketing & Business Development Unit, Risk Assessment & Credit Approvals Unit, Loan Operations & Disbursement Unit and Legal & Recovery Unit.

1.5.1.1 Deposit Products:

- **Current Account:** Current account offers low minimum required deposit, lower yearly service charge and free ATM card. The minimum required deposit for opening current account is Tk. 10000.00 and the yearly service charge is BDT 1000 + VAT. Maximum withdrawal per month can be initiated as per customer's transaction profile. The usage of ATM card is free of charge for the first year after opening a current account.
- **Savings Account:** The minimum required deposit for the savings account is Tk. 5000.00 and yearly service charge is BDT 600 + VAT (if Average Balance is 25000.00+). The interest is 5% and maximum withdrawal per month is allowed according to customer's transaction profile. The usage of ATM card is free for the first year.
- **Short Term Deposit:** The minimum required deposit for Short Term Deposit is Tk. 25000.00 with a yearly service charge of BDT 1000.00 + VAT. The interest rate is 5% and the use of ATM card free for the first year.
- **Fixed Deposit Receipt (FDR):** The minimum required deposit for FDR is Tk. 50000.00 and the provision period for auto renewal is minimum 1 month and maximum 2 years.
- **Gift Cheque:** Gift cheque can be issued and en-cashed at any DBL branch and it is available at suitable denominations of Tk. 100, 500 and 1000. It offers attractive rates of interest, can be refunded if lost or stolen and it's free of charge.
- **Shopno Jatra Student Service:** File opening deposit is Tk. 2500.00 and yearly service charge is BDT 600 + VAT. The student file processing fee is Tk. 4500.00 + VAT, FDD issuing charge is Tk. 700 + VAT and FTT issuing charge is Tk. 400 + VAT. The student

loan facility requires 17% per annum on loan amount. Cash security provides the option of deposit 25% of total loan amount as cash and the maximum loan limit is Tk. 40 Lac. The issuing charge for the international debit card is Tk. 1500.00 + VAT per annum and it is issued in US Dollar.

- Students Ledger-School: Any school going student within the age limit of 6 to 7 years can open this account operated by his guardians. The insurance coverage is backed by MetLife Alico and the interest rate is maximum 1.5% higher than savings rate on daily balance. The minimum opening balance is Tk. 500 (with insurance) and Tk. 300 (without insurance) with the availability of free Cheque Book and Debit Card. The withdrawal limit is Tk. 40000.
- Students Ledger-University: Any college or university going students within the age limit of 18 to 28 years can open and operate this account on their own. The minimum opening balance is Tk. 1000.
- Honourable Seniors: Senior citizen segment of the country within the age bracket of 45 to 65 years can open this account. The key features include – free insurance coverage backed by MetLife Alico, interest rate maximum 2% higher than savings rate on daily balance and 0.50% higher than usual rates on FDR, minimum opening balance is Tk. 5000, free Cheque Book, overdraft facility and self-employment loan.

1.5.1.2 Under Scheme:

- Special Deposit Scheme: The key features includes – tenure for 1,2 or 3 years, investment range is Tk. 100000.00 to Tk. 10000000.00 with a monthly return of Tk. 833 per Lac and the overdraft limit is up to 80% of total investment.
- Deposit Double Scheme: This scheme entitles to double the deposit within the shortest possible time frame and the key features includes – tenure of 7 years, minimum deposit of Tk. 50000.00, maximum deposit of Tk. 5000000.00, overdraft and term loan facility up to 90% of the initial deposit.
- Deposit Pension Scheme: Any Bangladeshi citizen of 18 years and above can apply for this scheme and the key features includes - monthly installment of Tk. 500 to Tk. 25000, flexible tenure of minimum 2 years to maximum 10 years and maximum maturity value around Tk. 52 Lac.

- **Smart Plant Scheme:** Smart Plant Scheme offers free life insurance facility, money multiplier facility and option of taking advance of up to 90% of the contributed amount. It offers to multiply the initial cash investment to 10 times in 6 years. The minimum deposit required for availing such opportunity is Tk. 10000 and any Bangladeshi with an age more than 18 years and not exceeding 54 years can use Smart Plant Scheme.
- **EduSavings Plan:** EduSavings Plan is an attractive deposit product that focuses on child's education and plan for their future academic expenses. Some of the key features include – maximum deposit requirement of Tk. 20000.00 and minimum deposit requirement of Tk. 500.00, tenure of 4, 6, 8, 10 and 12 years, maximum maturity value of 6454000.00, loan of up to 90% of total deposited account, accidental benefits, etc.
- **Lakhopoti Deposit Scheme:** It is a monthly deposit scheme to become lakhopoti in 4 to 12 years. Any institution, club or non-profit organizations can apply for it other than individuals. The overdraft facility is up to 80% of the deposited amount and free issuance of VISA Credit Card is available for the first year.
- **Kotipoti Deposit Plan:** It is a monthly deposit scheme to become a kotipoti in 4 to 15 years.

1.5.1.3 Bundle Savings:

Bundle Savings Account is of three types – Silver Account, Gold Account and Platinum Account.

- **Silver Account:** The key features of Silver Account are – minimum balance deposit of Tk. 30000, monthly interest of 6%, maximum monthly withdrawals is 6 times, free Debit Card, Credit Card, SMS & Internet banking, etc. Salaried individuals and professionals can apply for this account.
- **Gold Account:** The key features of Gold Account are – minimum balance deposit of Tk. 50000, monthly interest of 6.5%, maximum monthly withdrawals is 10, etc.
- **Platinum Account:** The key features of Platinum Account are – minimum balance deposit of Tk. 100000, monthly interest of 6.75%, maximum monthly withdrawals of 12 times, etc.

1.5.1.4 Loan Product:

- Personal Loan: Individual salaried person from Multinational Company (MNC), reputed Large Local Company (LLC) and Bank can avail personal loan from Dhaka Bank Limited. The reputed professionals include – Doctors, Engineer, and Architecture with salary of BDT 50000 and above. Besides this, some reputed businessmen with gross income of BDT 80000 and above are also eligible for personal loan.
- Car Loan: Individual salaried person of Multinational Company, reputed Large Local Company, Bank and Financial Institution, doctors, engineers, architects and existing corporate clients who are maintaining salary account can take car loan. The income level includes Tk. 80000 and above for salaried person and Tk. 100000 and above for self-employed professional and businessmen.
- Home Loan: The features of the home loan are same as that of the car loan.
- Dual Currency Credit Card: Dual Currency Credit card offers the most convenient and flexible way to pay for purchases made at home and outside. Salaried individuals, professionals and business persons can apply for Dual Currency Credit card. The minimum required income for availing this opportunity is BDT 25000.00, minimum credit limit is BDT 10000.00 and maximum credit limit is BDT 500000.00. The minimum age of the applicant should be 21 years and the maximum age should be 55 years.

1.5.1.5 Locker Service:

The locker facility of Dhaka Bank Limited provides the option of covering valuables against any unfortunate incident at a very competitive price. Some of the key benefits of the locker service include – availability of lockers in various sizes like small, medium and large with varying rents, direct debits from customers' deposit accounts which can get them rid of the hassles of writing out cheques and availability of lockers at different branches of Dhaka Bank Limited like – Gulshan Branch, Banani Branch, Dhanmondi Branch, Uttara Branch, Cox's Bazar Branch, Narayanganj Branch, etc. The yearly charges for small, medium and large lockers are as follows – Tk. 3000, 5000 and 7000.

1.5.2 Islamic Banking:

In the field of economy, 30% business volume of the industry has been captured by Islamic Banking & Finance due to its popularity and acceptability among people in our country. Dhaka Bank Limited started its first Islamic Banking branch at Motijheel, Dhaka on July 2, 2003 responding to the demand for Shariah Based Banking. The second Islamic Banking Branch was opened at Agrabad, Chittagong on May 22 of the year 2004. Dhaka Bank Limited is the pioneering bank to establish Shariah based banking operations through Islamic Banking branches in Bangladesh.

1.5.2.1 Deposit Products under Islamic Banking Operations of DBL:

- Al-Wadeeah Current Account
- Mudaraba Savings Account
- Mudaraba Term Deposit Account
- Mudaraba Special Notice Deposit Account
- Mudaraba Hajj Savings Account
- Mudaraba Pension Scheme Account
- Mudaraba Special Deposit Scheme Account
- Mudaraba Foreign Currency Deposit Account
- Tawfeer Mudaraba Savings Bond Account
- Tawfeer Mudaraba Deposit Pension Scheme
- Tawfeer Mudaraba Foreign Remittance Account

1.5.2.2 Investment Products of Islamic Banking branches of DBL:

- Murabaha Purchase Order
- Bai-Muazzal Industrial
- Bai-Muazzal Others
- Murabaha Post Import Trust Receipt
- Murabaha Term Finance Industrial
- Murabaha Term Finance Others

- Hire Purchase Shirkatul Meelk
- Ijarah Transport
- Ijarah Machinery & Equipment
- Quard

1.5.2.3 Three Deposit Products of Islamic Banking Branches of DBL:

- **Tawfeer Mudaraba Savings Bond Account:** It is a term deposit scheme in Bangladeshi Taka which is fully based on Islami Shariah. It provides opportunity to ensure higher returns from investment on various maturity terms ranging from 1 to 5 years and the denominations are Tk. 5000, 10000, 25000, 50000 and 100000.
- **Tawfeer Mudaraba Deposit Pension Scheme:** This scheme provides insurance coverage for normal or accidental death and the maximum coverage limit is Tk. 4468301. The agreed tenure of T-MDPS is 8 years, installment amount Tk. 1000 and the period considered for total benefits is 5 years 2 months.
- **Tawfeer Mudaraba Foreign Remittance Account:** It is a Islami Shariah based savings account in Bangladeshi Taka and one of the safest way to remit one's money home. It provides opportunity of lucrative returns with profit credited based on monthly average balance at every 6 months.

1.5.3 Corporate Banking:

Specialization in Trade Services and Syndications and Structured Finance combined with a strong reputation and product expertise, gave Dhaka Bank Limited a competitive position in building long-term and well coordinated client relationship in the Corporate Banking sector. The Corporate Banking team of Dhaka Bank Limited is committed to helping clients achieve their ambitions and fulfill their dreams in the up and down cycles of business.

1.5.3.1 Short Term Financing Products:

- **Overdraft:** Overdraft is an extension of credit from the bank when an account reaches zero which means it allows clients to continue withdrawing money even if the account has no funds in it.

- Letter of Credit: Letter of Credit is a written commitment by an importer's bank or issuing bank to the exporter's bank or accepting bank to pay a specified sum in a specified currency within a fixed time frame. It substitutes the creditworthiness of a bank for the creditworthiness of a buyer.
- Demand Loan: It is a loan with or without a fixed maturity date which can be recalled at any time by the lender and must be paid in full on the date of demand.
- Time Loan: Time loan is a short-term asset based business payable usually in one installment at the maturity date. It is commonly used to finance revenue generating assets which provide the funds to pay back the loan and it can only be repaid on the maturity date.

1.5.3.2 Long Term Financing Loan:

- Medium Term: Medium term loan can be availed for a maximum of 5 years.
- Long Term: Long term loan can be availed for over a period of 5 years.

1.5.3.3 Regular Trade Service Products:

- Letter of Credit
- Back to Back Letter of Credit: It is an arrangement where two LCs are used together to help a seller finance the purchase of equipment from a subcontractor and the subcontractor is ensured of payment upon fulfilling the terms of the contract.
- Shipping guarantee: Shipping guarantee is a document which allows a customer to take possession of shipped goods before the shipping company receives the Bill of Lading, protecting the shipping company from any loss in case the customer fails to pay.
- Delivery order: It is a written order by the shipper to the carrier to deliver goods to the specified party.
- Export LC: It ensures that the exporter receives the agreed purchase price for contractually agreed services.
- Letter of Guarantee: It is a type of contract issued by the bank on behalf of the importer that promises to meet any financial obligations to the supplier in the event of default.

- Import Loan: Import loan provides the importer trade financing enabling him to pay for the imported goods and the covers the period up to the point of sale. In this arrangement the goods will belong to the bank providing the loan until the loan settlement is done and the goods can be released under a Trust Receipt for the manufacturing period by the importer.
- Letter of Trust Receipt (LTR)

1.5.3.4 Specialized Trade Service Products:

- EDF Loan: Export Development Fund loan is available to the exporters of non-traditional manufactured items which are utilized in case of importing raw materials for manufacturing exportable products.
- OBU Financing: OBU can finance to fully foreign owned company at home, companies in EPZ territory and in limited cases to Joint Venture or Local Industrial unit in Bangladesh in the form of investment after taking permission from Board of Investment (BOI).

1.5.3.5 Cash Management Solutions:

- Payment & collection solution
- Bulk cheque Processing
- Utility Bill collection
- Vendor/Salary Payment
- Cash pickup & Delivery
- Hajj Remittance Processing
- Managing IPOs as Lead Bank
- Act as Banker to the issue of IPOs

1.5.3.6 Syndications & Structured Finance:

Syndications & Structured Finance Unit (SSFU) of Dhaka Bank Limited started its journey in 2004 in order to complete bank's Corporate Banking needs by sharing risks and providing efficient financing solutions for commercially viable activities. SSFU offers customized and flexible financial solutions to its clients and manages financial package in a cost effective manner. Some of the key achievements of this unit are as follows –

- Raised over BDT 15 billion as Lead Arranger for 19 different projects
- Participated in over 60 projects arranged by Dhaka Bank and other banks or financial institutions
- Provided Agency and Security Trustee functions to numerous projects
- Exposure in different sectors including energy & power, telecommunications, textiles, aviations, ship building, steel, cement, ceramic, pulp & paper, consumer products, etc.
- Offers a wide range of products like – Term Loan, Working Capital Facility, IPFF Fund, Offshore Finance, etc.

Dhaka Bank Limited has access to USD denominated infrastructure fund under Investment Promotion Financing Facility (IPFF) managed by Bangladesh Bank and endowed jointly by the World Bank and Government of Bangladesh. The Syndications & Structured Finance Unit has arranged BDT 3.66 billion funds under IPFF for four different projects – two power projects, one water treatment plant and one Inland Container Depot Project up to June, 2014.

1.5.3.7 Securitization of Assets:

Securitization of assets is a powerful and effective means of generating funds for a certain category of institutions. The World Bank and the Asian Development Bank plays a vital role in the securitization of assets by the commercial banks like Dhaka bank Limited.

1.5.3.8 Finance and Advisory Services:

Dhaka bank Limited positions itself for providing investment banking advisory services such as – guidance on means of raising finance from the local Stock Markets, Mergers and Acquisitions, Valuations, Reconstructions of distressed companies and other expert knowledge based advice.

1.5.3.9 Project Finance:

Project financing is an innovative and timely financing technique which is used to fund large-scale corporate projects. It constitutes of preparing the financial plan, assessing the risks, designing the financing mix and raising the funds. The project financing of Dhaka bank Limited covers a wide range of businesses and industries such as – Textile, Ready Made Garments, Edible Oil, Consumer and Diversified industries, Shipping, Ship Breaking, Steel and Engineering, Energy and Infrastructure, Paper, Chemicals and Pharmaceuticals, Cement, Construction, Financial Institutions, Telecom, Media, Technology, etc.

1.5.3.10 Offshore Banking:

Dhaka Bank Limited has launched its Offshore Banking operations in Dhaka Export Processing Zone in the year 2006 as one of the pioneers among local banks. The bank's Offshore Banking Unit has earned enormous confidence of the foreign investors as a result of its strong commitment and dedication over the years. Offshore banking refers to international banking involving non-residents' foreign currency denominated assets and liabilities. Offshore Banking Units conduct their deposit taking and lending activities with foreign investors without conflict with the domestic fiscal and monetary set up and independent of the local commercial banking system. The resident Bangladeshi citizens have no permission to enjoy OBU services and the unit only deals with the non-residents 100% foreign owned and joint venture investment enterprise inside the EPZs which does not fall under the set regulations of Bangladesh Bank. Its operations are being treated as a country within a country commissioned by a separate Banking License from Bangladesh Bank.

1.5.4 SME Banking:

Dhaka Bank Limited launched its SME Banking operation in the year 2013 with the vision of achieving sustainability through blending business with rural and SME finance. In order to support Small & Medium Enterprises, Dhaka Bank Limited has widened its network up to the rural frontiers with a country-wide reach of branches, SME and Business Centers, alternative delivery channels (ADC), etc. The SME Banking sector of the bank has blended together small businesses, medium enterprise, women entrepreneurs, cottage industry, agricultural farmers, renewal energy and eco-friendly brick kilns among more than 5000 entrepreneurs.

Chapter-02

Description and Specification of my Job at Dhaka Bank Limited

2 Description and Specification of the Job:

I joined as an intern at Dhaka bank Ltd., CPC Trade Operations from October 1, 2014 for a period of three months. Dhaka Bank Limited established Central Processing Center (CPC) at BGMEA Bhaban, Karwan Bazar, Dhaka and Agrabad, Chittagong in the year 2009. Previously, all the trade activities of Dhaka Bank were carried out by 15 Authorized Dealer (AD) branches and now CPC is responsible for managing all the trade activities at the CPC Trade Operations.

2.1 Local Payment Department:

In the first month of my internship, I worked at the local payment department of the CPC Trade Operations. My first task was to report in the online import monitoring system of Bangladesh Bank about new LC (Letter of Credit) opening. After that I had to prepare LC Acceptance ID on the basis of which LC payments will be reported online and the third task was to update the list of overdue accepted inland back-to-back LC payments requested by Bangladesh Bank on their online import monitoring system.

In order to report about new LC opening in the online import monitoring system of Bangladesh Bank there were certain information that needed to be filled out. First of all, I had to fill out local LC Beneficiary's information which included Beneficiary's name and address. After that local LC information criteria included LC/Contract type, LC year, LC nature (Back To Back/Cash), last four digits of LC serial, currency at which the LC is traded, date of issue of the LC, LC expiry date, Usance period as per BB, last day of shipment, area code (EPZ/Non-EPZ), IRC and ERC number, BOI Registration number, Custom Bonded Warehouse License number, credit limit in FC, utilized LC limit in FC, LC value in FC, Approved Authority, etc. Beneficiary is the seller/exporter/consignor who sells products and raw materials to the other party who is known as an applicant/importer/consignee/buyer. The beneficiary's name and address are their company name and factory location the information of which is given in the bank forwarding and commercial invoice. LC year is the year in which a particular LC is opened and LC nature is of two categories – Back To Back (BTB) and Cash and there are certain codes to identify the two categories. An LC number consists of 12 digits of which the first four digits are the AD (Authorized Dealer) Code, the next two digits specify the year and the two digits after that specify the nature of the LC and finally the last four digits signify the LC identification number.

The date of issue of the LC, LC expiry date, Usance period, last date of shipment and LC value are given in the LC document. The approved authority is the HO (Head Office) and the area code specifies whether the products are received at the Export Processing Zone or Non-Export Processing Zone from the beneficiary. Import Registration Certificate (IRC) is required to start a new import business and Export Registration Certificate (ERC) is required for starting a new export business. If any party gets involved in such a business where they need to import and export commodities then they will require both IRC and ERC. An importer having Import Registration Certificate and an exporter having Export Registration Certificate can import and export any permissible item without any value or quantity restrictions and without obtaining any permission from any authority. The procedure for the issuance of IRC and ERC requires the following documents – Trade License, Membership Certificate from recognized Chamber/Trade Association, Tax Identification Number (TIN), Bank Certificate, Memorandum and Articles of Association and Certificate of Incorporation (in case of Limited Company). The CCI&E (Chief Controller of Imports and Exports) issues IRC or ERC within three hours or within the same day of the issuance request on submission of the above documents. BOI (Board of Investment) is a sponsoring agency for all industries setup in the private sector outside EPZs and BSCIC Industrial Estates. Board of Investment facilitates all its registered industries in taking advantage of any Government incentives and facilities. BOI provides a wide range of services to its registered members like investment promotion, suggestion and aftercare support to the investors. BOI promotes both domestic and foreign investment as well as enhancement of international competitiveness of Bangladesh. Government of Bangladesh has given Bonded Warehouse benefits to 100% export oriented manufacturing companies and for availing such benefits a company must gain a Custom Bonded Warehouse License Number. As per National Board of Revenue's (NBR) declaration, Bond License can only be issued in the declared bonded areas in different districts of the country.

The next step after local LC opening is to create local LC Acceptance ID for each individual LC payment. The LC Acceptance ID works as the track number for each LC payment and after opening one LC there can be multiple payments made under it and for each payment one LC Acceptance ID is assigned. The information that are required for assigning an LC Acceptance ID are – local LC ID number, local LC issue date, local LC expiry date, last date of shipment of goods from the exporter, Beneficiary's bank and branch name, document receipt date, bill

number of Beneficiary's bank, accepted value, date of acceptance and date of maturity. The information regarding LC ID number, local LC issuing date and expiry date, last date of shipment, accepted value, date of acceptance and maturity are included in the LC document. The information about the Beneficiary's bank, branch and document receipt date is given in the Bank Forwarding sent by the Beneficiary's Bank to CPC Trade Operations. The bill number of Beneficiary's bank is the bill reference number which is also included in the Bank Forwarding.

Every day Bangladesh Bank creates overdue list for the AD branches of Dhaka Bank Ltd. which are needed to be updated on a daily basis. The overdue list is the list of local LC payments to the clients or applicants or importers that are exercised but have not been reported in the Online Import Monitoring System of Bangladesh Bank. The overdue list includes information regarding LC payment amount, LC Applicant's ERC number, LC Applicants name and address, AD branch code, branch, bank name and Beneficiary's bank. The overdue list is downloaded from the BB website and it is checked with the FDD (Foreign Demand Draft) amount or PO (Payment Order) amount from the FDD or PO Excel Worksheet of the respective AD branch. If the amount matches with that of the overdue list then I go to Online Import Monitoring System to update the LC payment information. The information which are required to update local LC payment are – date of acceptance, date of maturity, LC Acceptance ID, importer, accepted amount, paid amount, rest amount, date of payment, amount paid, source of payment and method of payment. The date of acceptance and the date of maturity are given on the LC document. The local LC Acceptance ID is already given in this section as it was created at the second step. The accepted amount and rest amount is the amount that is due for payment. The date of payment and amount paid field is filled up from the Excel Worksheet and the source of payment is through export proceeds for local LC payment. However, there are three other alternative ways for LC payment which are – EDF (Export Development Fund), Forced loan and cash from customer. An Export Development Fund (EDF) is created at the Bangladesh Bank to assure a continued availability of foreign exchange to meet the import requirements of non-traditional manufactured items. An EDF is especially available to a new exporter or an exporter who is diversifying into new markets. The main purpose of EDF is to make import bill payment against Letter of Credits (LCs). The method of payment of FDD amount is through DD drawn on Bangladesh Bank and for PO amount it is paid in BDT. There is another method which is not used for FDD or PO amount payment which is known as Nostro account. Nostro account is a bank account held in a

foreign country by a domestic bank denominated in the currency of that country and it is used to facilitate settlement of foreign exchange and trade transactions.

Under the local payment department I also gave FDD (Foreign Demand Draft), PO (Payment Order) and F.T. (Fund Transfer) inputs in Excel Worksheets. FDD is a physical mode of money transfer that is beneficial for the sender for it is secure and can only be credited to the specified beneficiary's bank account. PO is the instruction sent by paper or electronic means to transfer funds from a bank account to other financial institutions or bank. The information which are included in a fund transfer Excel Worksheet are – date on which F.T. is credited, LC number, applicant, beneficiary, bill reference number, bill amount in USD, credit amount in USD or BDT as per mentioned in Bank Forwarding.

2.2 Document Scrutiny Department:

After the first month of my internship I have worked in another two departments alongside the local payment department which are – document scrutiny department and import payment (IMP) department of CPC Trade Operations. The task of the document scrutiny department starts with the collection, counting and recording of the documents that arrived via DHL Express, FedEx, Sun Ark Express, etc. in the diary. This ensures that there are no mismatches of the documents that were received by CPC Trade Operations. The next task after receiving the documents is writing the WAYBILL/DHL numbers given on the DHL Express packages on the respective documents inside those packages. The WAYBILL/DHL number works as the tracking number for the documents and by this it can be easily identified which document the client wants to get processed for foreign LC payment. After writing the WAYBILL/DHL numbers the documents are separated into Back to Back (BTB) and Cash LCs according to their code numbers. In a Back to Back (BTB) arrangement two Letter of Credits are used together to help the seller or exporter finance the purchase of equipment or services from a subcontractor. In this arrangement with the original LC from the buyer's bank in place, the seller goes to his own bank to open another LC with the subcontractor as the beneficiary and through this the subcontractor is ensured of payment upon fulfillment of the terms of the contract. The code numbers of the Back to Back LCs are – 03, 04, 05, 06, 12 and the code numbers of the Cash LCs are – 01, 02, 99, 10, 11. After segmenting the documents according to their type authorization and checking is initiated. The next steps after this is to give excel entries of the documents received in Back to Back and Cash

LC excels worksheets. The information that are required for giving entries are – date of received, serial number, LC number, code (LC type), applicants name, banks name, documents value branch initial, DHL number and beneficiary's country. The documents include – Bank Forwarding, Commercial Invoice, Bill of Exchange, Packing list, Bill of Lading, Shipment Advice, etc. The AD (Authorized Dealer) branches of Dhaka Bank Limited that issues LCs are – Local Office, Bangshal, Banani, Imamgonj, Narayangonj, Foreign Exchange, Laldighirpar-Sylhet, Dhanmondi, Karwanbazar, Islami Banking Branch, Gulshan, Uttara and Offshore Banking Unit.

2.3 Import Payment Reporting Department:

The IMP (Import Payment) reporting department is the last department of CPC Trade Operations, Dhaka Bank Limited. All the activities and procedures come to an end at this very department which signifies the importance of the IMP reporting department. After the document scrutiny department I have worked in the IMP reporting department and its main task is to do import payment reporting to Bangladesh Bank. The IMP reporting department does the import payment reporting of different branches like – Narayangonj branch, Dhanmondi branch, Uttara branch, etc. I have done IMP reporting of Narayangonj, Dhanmondi, IBB and Uttara branch. The first step in IMP reporting is to check the IMP register and extract the LCs along with their IMP numbers to the excel workbook I am going to work on. The IMP excel workbook includes information about date, IMP serial number, name of importer, commodity, FCY, invoice value, remit amount, freight amount, LC number and bill number. For every import payment reporting one IMP number is assigned with it for tracking purposes. The date is the day on which a particular IMP is being reported. FCY stands for Foreign Currency and it specifies whether the import payment will be initiated in US Dollar, JPY(Japanese Yen), Euro or ACU. ACU stands for Asian Clearing Union which is one kind of payment arrangement in which the member states settle their payments of import-export transactions. The members of ACU are the central banks of Bangladesh, Bhutan, India, Maldives, Myanmar, Nepal, Pakistan, Srilanka and Iran. An invoice is a document issued by the seller to the buyer which includes list of the goods or services supplied by the exporter to the importer and the total value of the goods that is due for payment known as invoice value. The remit amount is the actual amount that the exporter will receive from the importer excluding freight and other charges if applicable. The freight amount

is the freight charge that is applicable for the cost of transporting goods by road, air or by sea from the exporters place to the importers place. The bill number is the tracking number for each bill amount that is due for payment to the seller or the exporter. Three information are needed to be included in the IMP excel worksheet which are the remit amount, freight charge and other charges and the bill number. According to the given list on the IMP register the LC files are collected and from those files the Commercial Invoice, Proforma Invoice and Letter of Credit Authorization Form (LCA Form) are separated for certification purpose. If freight charge is applicable then an additional Commercial Invoice is attached with the T&M Form (Travel & Miscellaneous). After that Bill Endorsement is done on the LCA Form. The next step after this is to use the IMP software for recording import payment transactions and the information that are given input in this software includes – AD branch code, IMP serial number, year, LC number, LCA Form number, importer's address, exporter's address, port of loading, port of discharge, method of shipment of goods, country code, country receiving payment, check date, date of opening of the LC, IRC number, etc. In the IMP software all the import payment information is included on the basis of their bill number for tracking purposes. After recording import payment information in the IMP software the remit amount, freight amount, charges and the bill number is included in the IMP excel workbook. The information that are included for giving Bill Endorsement at the back of the LCA Form are – LC number, Date of issue, original value as per LCA Form, remit amount, charge amount, freight amount, balance amount, IMP number, month of reporting and authorized signature. The last step after this is to send the copy of Commercial Invoice, Proforma Invoice, LCA Form and T&M Form to the respective AD branches for further processing. At last after the import payment is done IMP Done is written on the LC file beside the IMP number. I have also given online reporting of import payments via software called FOREX. The information which are required for giving online reporting are – currency, FC Value (Remit amount or Freight amount), quantity of the goods, unit of the goods in KG and MT (Metric Ton), quantity amount, IMP number, HS Code, country origin of the goods, etc. The HS Code is a Harmonized System Code which is an internationally standardized system of numbers to classify traded products. The HS Code was developed by World Customs Organization (WCO) in the year 1988.

2.4 Observation and Recommendation:

During my internship process I have learnt a lot of things by observing the foreign trade finance activities at CPC Trade Operations, Dhaka Bank Limited. The computers used in the CPC Trade Operations are not up-to-date according to the Operating Systems used. Some of the computers are run with Windows XP Operating System. Moreover, the latest version of Microsoft Office is also not installed in most of the computers. Employees have to sometimes face problems while using Corporate Softwares due to the slowness of the servers.

CPC Trade Operations should update the computers with the latest softwares, Operating System, Microsoft Office, etc. The printers, scanners and photocopy machine should also be updated to get better services which will facilitate the employees in organizing and completing tasks easily with fewer amounts of effort and time spend on it. Electronic Fund Transfers Network (EFTN) is not utilized in all the departments and it should be adopted as an important instrument in all the departments for faster processing and transferring of funds from one account to another. The Research and Development (R&D) Department of Dhaka Bank Limited should invest significant amount of time and money for developing new methodology and instruments for CPC Trade Operations.

Chapter-03

Instruments of Foreign Trade Finance

3.1 Summary:

Since its commencement in the year 1995, Trade Finance has been a major area of concentration for Dhaka Bank Limited. Letter of Credit is a popular instrument in the modern trade finance transaction and it is widely used for trade in Bangladesh. Dhaka Bank Limited maintains Relationship Management Applications (RMA), Nostro Accounts and various correspondent banking arrangements for secure and fast issuance and payment of L/Cs. The bank mainly provides the following services related with trade finance activities:

- Import Letter of Credits
- Export Letter of Credits, negotiation and documentary collection
- Re-issuance of Local guarantees against counter guarantees from international correspondents

With a vast network of over 320 correspondents throughout the globe Dhaka Bank Limited is capable of advising LCs in all continents of the globe. For confirmation of LCs, the bank enjoy significant amount of credit lines with almost all the major international banks. Dhaka Bank Limited has signed up with Asian Development Bank (ADB) to avail credit guarantee facility from ADB under its Trade Finance Facilitation Program (TFFP) for confirmation of the L/Cs issued by the bank for the purpose of enhancing the capacity to support trade transactions.

Dhaka Bank Limited has 15 Authorized Dealer (AD) Branches who are authorized to transact in foreign exchange and to trade finance business. Dhaka Bank Limited has centralized its Trade Operations by establishing CPC Trade Operations in the year 2009 and all trade finance related transactions are being centrally dealt with in the CPC trade Operations. CPC Trade Operations handles all import L/Cs, export documents and follow-ups for all import/export payments/receipts till respective settlements. CPC Trade Operations is a logical step undertaken by Dhaka Bank Limited for achieving excellence in banking and a group of expertise in trade finance working under a single roof ensures the effective and efficient functioning of trade finance activities.

3.2 Objective of the Report:

The general objective of this report is to exemplify the overall trade finance activities of Dhaka bank Limited, CPC Trade Operations and getting familiarized with the instruments that are used in Foreign Trade Finance. The purpose of illustrating the trade finance activities led to the clarification of various types of Letter of Credit and foreign trade activities, steps followed for establishing a Letter of Credit, trade finance guidelines followed as stated by Bangladesh Bank and different products and service offerings by the bank.

3.3 Methodology:

Methodology is a very vital part prior to preparing a report as it guides the whole process starting from collection of data, processing of data and organization of data into information which can be analyzed and interpreted for achieving the primary objective of the report. For preparing my internship report I have used both primary and secondary resources. The primary resources included – hand-on experience on the workplace which I have gathered by working in three different departments of CPC Trade Operations which are – Local payment Department, Document Scrutiny Department and IMP Reporting Department. The secondary information was collected from the annual report of Dhaka Bank Limited and some related websites of the bank.

3.4 Limitations:

I had very less amount of time for preparing the internship report as I had to attend the office from Sunday to Thursday and in some weeks on Saturday also for managing the work load as was required. The bank personnel had very busy schedule and were busy most of the time doing their work and supervising my tasks. Thus I could not find ample amount of free time for collecting adequate information from them. Lack of resources related with foreign trade finance activities was also one of the limitations I faced while preparing my report.

3.5 Instruments of Foreign Trade Finance Activity at CPC Trade Operations:

3.5.1 Introduction:

Responding to fast changing economic, financial and regulatory landscape around the world, the financial institutions are evolving for meeting the challenges and finding solutions for sustainability and are taking proper initiatives needed to build a more flexible, stable and environmental friendly financial service sector. Among the local commercial banks, Dhaka Bank Limited is one of the pioneers taking the challenge of centralizing the whole process of trade operations. After five years of operations, CPC Trade Operations has reached its maturity level where it can deliver high quality products and services backed by latest technology and a team of highly motivated personnel to deliver Excellence in Banking towards its goal and management objectives. CPC Trade Operations requires continuous communication with all the DBL branches, other banks both inside and outside the country, regulatory Government bodies, Central Bank and with the valued customers as well.

Some of the key features of CPC Trade Operations include:

- Strong scrutiny team with specialized personnel like CDCS. CDCS stands for Certificate for Documentary Credit Specialists which is a professional qualification recognized worldwide as a benchmark of competence for international practitioners. CDCS develops core knowledge and competency in the following areas – documentary credits types, characteristics and uses, rules and trade terms, parties to documentary trade transactions

and their roles and obligations, methods of payment/credit used in documentary credit transactions, types of transport, commercial and financial documents, knowledge about airway releases, etc.

- Specialization of departments on the basis of operations.
- Cutting edge technology with Corporate Banking Software, SWIFT, Alliance Messenger, etc.
- Healthy MIS to take effective decision and better control.
- Continuous Process Reengineering using comprehensive technology helps to deliver faster service.
- Reporting Team to ensure correct and timely report required by the Central bank.
- Well equipped messengers for prompt delivery and collection of documents.

CPC Trade Operations adds value through –

- Optimum utilization of resources
- Reduced cost and risk
- Standardization of work
- More attention and prompt services to customers
- Prompt solution to trade related critical issues
- Better monitoring and accountability

Moreover, CPC Trade Operations maintains its accounting records in the general ledger of the respective branches and the import/export related processing and credit operations are centrally controlled and monitored by the CPC for efficient and effective decision making and reduction of cost as well.

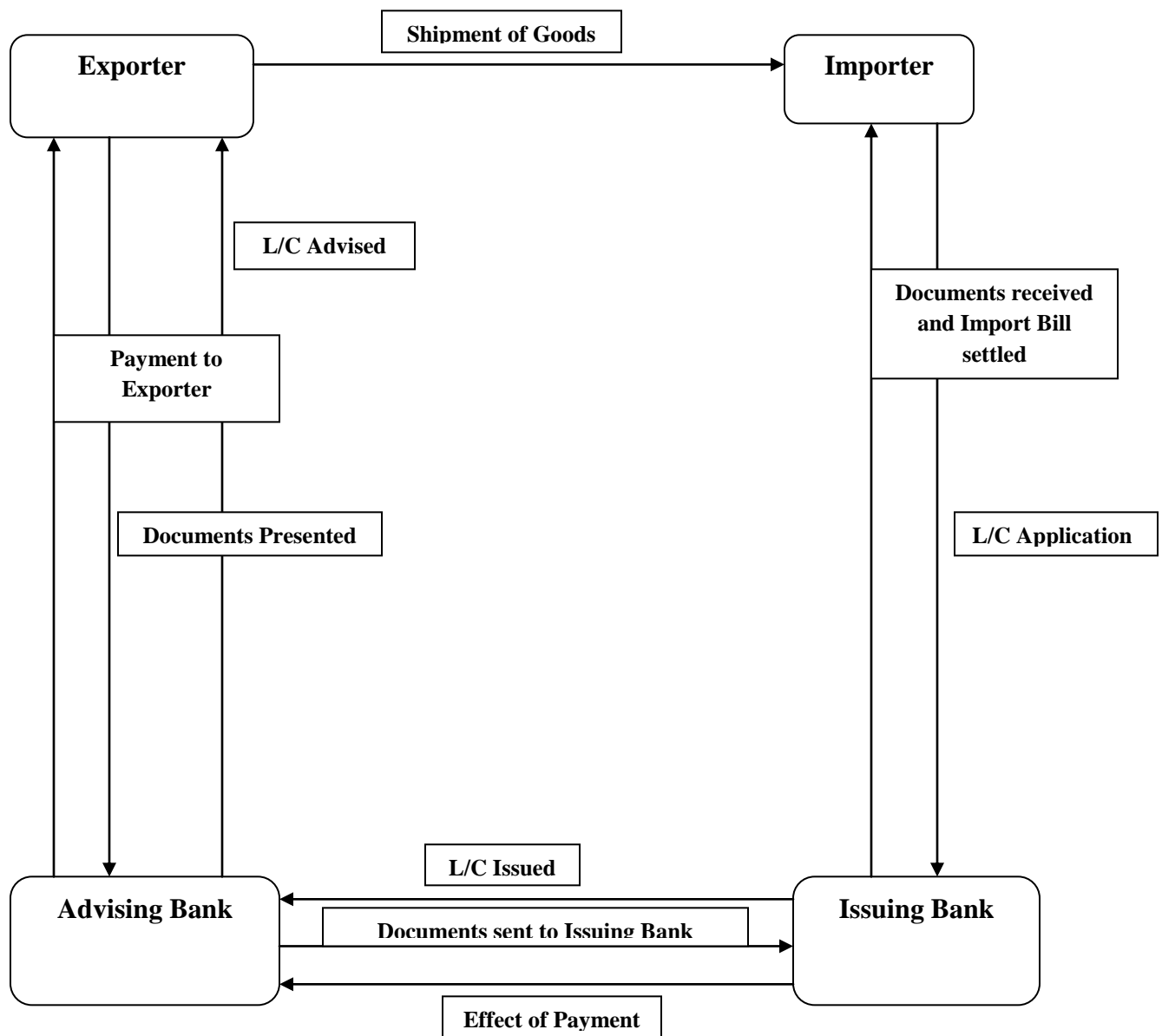
CPC Trade Operations Financial Highlights of 2013 are as follows – number of Import L/C (15792), number of Export Bills for Foreign Export (8543), number of Export Bills for Local Export (11481) and total contract executed (78000).

3.5.2 Import Activities:

According to the Imports and Exports (Control) Act, 1950, no goods of the specified description will be imported except in accordance with the conditions of a license to be issued by the Chief Controller of Imports and Exports (CCI&E) authorized in this behalf by the Government of Bangladesh. In Bangladesh, the import of goods is regulated by the Ministry of Commerce with Import Policy Orders and Public Notices issued from time to time by the CCI&E and the payments for the imports are regulated by Bangladesh Bank. The license issued by the CCI&E to the importers after registration is known as Import Registration Certificate (IRC) and without it no import activities can be conducted by any party unless exempted from such registration by the authority.

Import of any goods can only be affected by opening irrevocable L/C unless otherwise exempted by CCI&E for specific cases mentioned under Import Policy Order (2009-2012). The Document Scrutiny Department of Dhaka Bank Limited, CPC Trade Operations makes its payment to the exporters on behalf of the importers through the issuance of Documentary Credit or Letter of Credit (L/C) which is a conditional guarantee of payment. The parties to a documentary credit deal with documents not the goods that the documents relate to and it is a common method in Foreign Trade Finance as it offers some protection to both the importers and exporters. The common participants in a L/C process are – the buyer or applicant or importer, the seller or beneficiary or exporter, L/C issuing bank, L/C advising Bank, etc.

3.5.3 Formal Procedures to the Letter of Credit (Importer’s Perspective):



1. Contract between Exporter and Importer: An importer and exporter get into an agreement for purchasing and selling of goods where the payment will be made by a Letter of Credit. Both the importer and the exporter should be a registered member of Chief Controller of Imports & Exports (CCI&E) by applying for Import Registration Certificate (IRC) and Export Registration Certificate (ERC) through issuing the following documents – Trade License, Membership Certificate from recognized Chamber/Trade Association, Tax Identification Number (TIN), Bank Certificate and Memorandum and Articles of Association and Certificate of Incorporation.
2. Application for L/C opening: In the second step, the importer or applicant requests Dhaka Bank Limited to issue a Letter of Credit in favor of the exporter provided the fact he already has an account with the issuing bank. If the applicant does not have an account then the banker requests for opening an account and makes queries about his background and type of business and asks for submission of documents like IRC, Tax Identification Number, VAT Registration, Membership of Chamber of Commerce, LCAF (Letter of Credit Authorization Form), Indent or Proforma Invoice and L/C application form prior to opening an L/C. After the verification of the documents the bank thus issues a Letter of Credit.
3. L/C Opening request to CPC Trade Operations: Dhaka Bank Limited uses centralized system for the purpose of opening L/C. Initially, an AD (Authorized Dealer) branch of Dhaka Bank Limited does the verification of the documents received from the importer and sends a formal request for opening an L/C to CPC Trade Operations through email. Then CPC Trade Operations receives the message, opens the L/C and sends it to the advising bank through SWIFT (Society for Worldwide Interbank Financial Telecommunications). SWIFT is a global communication network that facilitates 24-hour secure international exchange of payment instructions between banks, central banks, multinational corporations, etc.
4. L/C Advising: The advising bank is usually located in the country of the exporter. The advising bank verifies the signatures of the officers of the issuing bank and ensures that the terms and conditions are not in violation of regulations relating to export before sending a copy of the Letter of Credit to the exporter or beneficiary.
5. L/C examination: The exporter examines the letter of credit to ensure that it corresponds to the terms and conditions in the purchase and sale agreement, documents mentioned in the Letter of Credit can be produced and the terms and conditions of the L/C can be fulfilled. However, if the exporter fails to comply with some terms and conditions of the L/C or the L/C differs from the purchase and sells agreement, the exporter immediately notifies the importer and requests an amendment to the Letter of Credit. After both the

party agrees to the amendments, they are incorporated into the terms of L/C and advised to the exporter through the advising bank.

6. Shipment of Goods and Presentation of the Documents: In this step, the exporter arranges for the shipment of goods to the importer and prepares the documents specified in the Letter of Credit. After this, the exporter presents the documents to the advising bank.
7. Transfer of Documents to the Issuing Bank: In this stage, the advising bank checks the documents against the Letter of Credit and forwards them to the issuing bank (CPC Trade Operations). The issuing bank thoroughly checks all the documents and effects payment to the advising bank which in turn makes payment to the exporter.
8. Import Bill Settlement: This is the last stage of the Letter of Credit procedures in which the issuing bank (CPC Trade Operations) transfers the documents to the importer and the importer makes import bill settlement after receiving the documents from CPC Trade Operations. The importer uses the documents for getting his goods released as they arrive in the Port of Discharge.

3.5.4 Instruments of Foreign Trade Finance (Import Activities):

Dhaka Bank Limited undertakes Import Finance in the form of both pre-import and post-import finance. Post-import finance is an arrangement under which an importer can request the issuing bank to grant loan against the documents if he has inadequate cash in his hand and he uses that loan for importing goods which will be repaid later to his issuing bank.

- Letter of Credit: Letter of Credit is one kind of pre-import finance that is made in the form of commitment on behalf of the applicant to pay an agreed sum of money to the beneficiary upon the fulfillment of the terms and conditions. Letter of Credit is also known as Documentary Credit which is the bank's guarantee of payment for imported goods within a specified time period.
- Performance Bonds and other guarantees: Performance bond is a bond issued to one party of a contract as a guarantee against the failure of the other party to meet obligations specified in the contract. Dhaka Bank Limited offers excellent solution to meet all performance bonds and guarantees required by its valued clients.
- Loan against Trust Receipt (LTR): LTR is one kind of post-import finance facility which is awarded to retire import bill directly. In this case, the possession of the goods remains with the borrower (importer) and the borrower executes Letter of Trust Receipt in acknowledgement of debt and its repayment along with interest within agreed period of time. The importer takes possession of the goods on trust for resale before paying the

issuing bank on Trust Receipt due date and Trust Receipt financing is only applicable for the goods imported under a documentary credit arrangement.

- Indent or Proforma Invoice: An Indent or Proforma Invoice is a sales contract between an exporter and an importer and there is a difference between the two. Proforma Invoice is a document that declares the seller's commitment to provide the goods or services specified to the buyer at certain prices and it is sent by the seller before the shipment of goods. An Indent on the other hand is a document placed for order of goods by the importer often through a local or foreign agent of the supplier and the acceptance of such document constitutes a contract of sale. The information that are included in a Proforma Invoice are – port of loading, port of discharge, mode of shipment, date of shipment, goods description, quantity, unit price, total value of the goods, etc.
- LCAF: LCAF stands for Letter of Credit Authorization Form which is submitted by the importer to the issuing bank for opening a Letter of Credit. The issuing bank authenticates the LCAF by confirming the following: IRC is valid, renewal fee paid (if required), item to be imported is eligible as per Import Policy, LCAF is properly filled and signed by the importer and H.S. Code inserted into the LCAF. After submission of the LCAF by the applicant to the issuing bank it is entered into the relevant register and submitted to the Area Registration Unit of Bangladesh Bank for registration. The officer-in-charge of the Bangladesh Bank Registration Unit gives the registration number and scrutiny seal. The customs copy (Duplicate) of the LCAF is handed over by the AD branch to the importer which will be required at the time of clearance of goods from the customs on importation. On the other hand, the Exchange Control copy (Original) of the LCAF is retained by the branch which acts as the basis on which import into Bangladesh is permitted. The Triplicate of LCAF is for CCI&E's Office, the Quadruplicate is the statistical copy, the Quintuplicate is the copy for Registration Unit of Bangladesh Bank and the last copy is the Office Copy of the bank.
- T/M Form: The Travel and Miscellaneous expense Form is filled up and authorized by the issuing bank which specifies the bank charges on account of imports such as – advising commission, amendment commission, confirmation commission, L/C cancellation charges, freight charges, etc.
- Bill of Exchange: Bill of Exchange is a written unconditional order by the drawer to the drawee to pay a certain sum for payment of goods received by the drawee. The drawee accepts the bill by signing it and converts it into a binding contract. The information that are included in a Bill of Exchange are – the name of the drawee, a statement of the place where the payment is to be made, the name of the person to whom payment is to be

made, a statement of the date and of the place where the bill is issued, the signature of the drawer (issuer), etc.

- Commercial Invoice: Commercial Invoice is a document required by customs to determine true value of the imported goods for assessment of duties and taxes. It includes the following information – buyer, seller, date and terms of sale, quantity, weight and volume of the shipment, description of goods, unit value and total value, freight charge (if applicable), etc.
- Bill of Lading: Bill of Lading is a document issued by a carrier to the shipper as a contract of carriage of goods and it must be presented for taking delivery at the destination. A Bill of Lading contains – applicant and beneficiary's name, port of loading, port of discharge, date of departure and arrival, list of goods being transported, etc.
- Certificate of Origin: It is a document declaring in which country a commodity or good was manufactured. It also contains information regarding the product's destination and country of export.
- Packing List: Packing List contains the description of the goods, their quantity, packaging type, net weight, gross weight, etc.
- Shipping Guarantee: Shipping Guarantee refers to a written guarantee issued by the bank and it is presented by the importer to the carrier for picking up the goods in the case of arrival of cargo before the shipping documents.
- Payment mode of L/C: On the basis of payment terms L/C can be of two types – At Sight Letter of Credit and Usance/Deferred Payment Letter of Credit. When the payment is to be made at the time documents are presented by the issuing bank to the importer then it will be known as At Sight Letter of Credit. On the other hand, if the payment is to be made at a future fixed time from the presentation of the documents to the importer e.g. 60 days after sight, then it will be referred to as Usance or Deferred Payment Letter of Credit.
- Bill of Entry: A Bill of Entry is declaration by the exporter regarding the precise quantity and value of the goods that are being shipped out and a qualified customs clerk prepares this document. A Bill of Entry is thoroughly checked by customs authorities for accuracy and conformity with tariff and regulations. After receiving the Bill of Entry CPC Trade Operations realizes about the shipments arrival at the port and on the basis of this the

bank provides Clearance Certificate to the importer by displaying which he can get his goods released from the port of discharge.

- Amendment to Letter of Credit: Sometimes alteration or amendments to the original terms and conditions of a Letter of Credit becomes necessary after issuance of that L/C. These amendments involve changes in unit price, extension of validity of the L/C, documentary requirements, etc. Amendments to a Letter of Credit can take place only at the agreement of the importer, exporter, advising bank and issuing bank. In such circumstances, the importer must make a formal request to the L/C issuing bank supported by revised Indent/Proforma Invoice and other necessary documents for making an amendment to the original Letter of Credit. After this, the issuing bank advises the required amendment to the advising bank through SWIFT message and notes down all the amendments in the L/C file and L/C opening register and charges L/C amendment commission to the client's account. Sometimes an amendment requires an increase in the L/C value and in that case it must be ensured that the balance available in the LCA Form is sufficient to cover the increased L/C amount.
- Inspection Certificate: Inspection Certificate is generally required for import of industrial equipment, meat products, perishable merchandise, etc. This certificate specifies that the good meets the required specifications and was in good condition and correct quantity at the time it left the Port of Departure.
- Insurance Document: Insurance Document is a policy/certificate/declaration under cover note as required by the Letter of Credit. It covers the specified risks as stated in the Documentary Credit and the risks are very clearly defined.
- Customs Import Declaration: Customs Import Declaration is the declaration on online about the import duty or taxes that were paid by the importer for importing of goods from abroad.

3.5.5 Export Activities:

According to the Imports and Exports (Control) Act, 1950, no goods of the specified description will be exported except in accordance with the conditions of a license to be issued by the Chief Controller of Imports and Exports (CCI&E) authorized in this behalf by the Government of Bangladesh. Without being registered no export activities can be conducted by any party unless otherwise exempted by the authority and for the registration exporters need to apply for Export Registration Certificate (ERC) to the CCI&E. After the registration the ERC is required to be renewed every year and the ERC number is to be included on EXP Forms and other documents

as required. The export from Bangladesh is subject to export trade control exercised by the Ministry of Commerce through CCI&E.

3.5.6 Formal Procedures to the Letter of Credit (Exporter's Perspective):

1. Receiving export order: The first step for an exporter is to directly contact the foreign buyer through correspondence or contact with Dhaka Chamber of Commerce and Industry (DCCI) for getting information about the probable foreign buyers or importers of his products. After contacting with foreign buyer the exporter negotiates on the terms and conditions of the sale contract which includes price, specification and quantity of the product offerings. At this very stage the exporter formulates a Proforma Invoice or Indent after the agreement is being associated between the two parties.
2. Request to open a Letter of Credit: The exporter requests the foreign buyer to open a Letter of credit on his behalf. The foreign buyer opens a Letter of Credit and the issuing bank advises the L/C to the advising bank or Dhaka Bank Limited which is the exporter's bank by requesting the confirmation. Dhaka Bank Limited sends a copy of the Letter of Credit to the exporter.
3. Inspection by the exporter: The exporter thoroughly examines the Letter of Credit to identify whether the terms and conditions of the L/C are clear and definite with that of the contract. The L/C should provide sufficient time for shipment of the goods by the exporter. If the exporter finds any inconsistency of the provisions of the L/C that conflict with the underlying contract he will immediately report to the foreign buyer to make necessary amendments through the issuing bank.
4. Arrangement and shipment of goods: After receiving the L/C the exporter procures raw materials from the supplier to manufacture goods of the quantity and amount as specified in the contract. Then the exporter goes through a series of steps prior to shipping his goods. First of all, the exporter obtains inspection certificate from the Inspecting Authority and reserves space with the shipping agent by submitting Commercial Invoice and Sales Contract to the shipping agent. Secondly, he contacts with the Customs Chamber and submits Commercial Invoice, Packing List, Certificate of Origin, EXP Form and Insurance Certificate to the Clearing and Forwarding Agent (C&F Agent). After this, the exporter transports the goods to the Port of Loading by contacting with the Port Authority. From the Port of Loading the goods are finally shipped to the Port of Destination by the carrier.
5. Presentation of documents and collection of Export Bills: The exporter obtains the Bill of Lading from the shipping agent after the shipment of goods and along with the Bill of Lading he displays other documents like Commercial Invoice, Packing List, Insurance

Document and Certificate of Inspection to the advising bank for collection of export bills. The advising bank checks all the documents for any discrepancies and if the documents are in order the bank airmails the documents to the issuing bank. The issuing bank reviews all the documents and effects payment to the exporter through the advising bank. Then the exporter collects his export bills from his advising bank and the issuing bank forwards the documents to the importer for import bill settlement and for claiming the goods from the Port of Discharge.

3.5.7 Discrepancies in Export Documents:

- Expiration of Letter of Credit
- Late shipment
- Late presentation of documents
- Inspection Certificate and Certificate of Origin not presented
- Full set of Bill of Lading not presented
- Packing List not presented as per L/C or missing of gross and net weight
- Description of goods differs from the L/C
- Shipment from different port than the one mentioned in the L/C
- Unit price not mentioned in Commercial Invoice
- Bill of Lading, Insurance Documents and Bill of Exchange not endorsed properly

3.5.8 Instruments of Foreign Trade Finance (Export Activities):

- Customs Export Declaration: It is a document declaring the amount of custom duty or taxes paid by the exporter from his received amount for exporting of goods to a foreign country.
- Clean Report of Findings (CRF): Pre-shipment inspection is mandatory for all export activities except those identified as exempt, prohibited or restricted by the authority. The arrangement of Clean Report of Findings (CRF) has to go through a sequence of steps. First of all, the importer or foreign buyer has to complete a pre-shipment Inspection Order Form (IOF) for all imports subject to inspection and give it to Intertek. Intertek contacts the exporter and arranges for an inspection in the country of supply through their global network of offices. After satisfactory finding from the inspection, Intertek issues a Clean Report of Findings to the customs authority and certifies the exporter's Invoice and Packing List. The exporter has to collect the CRF from the customs authority and provide it to the carrier that will ship his goods. If the goods arrive at the Port of Discharge without a Clean Report of Findings then the importer will be charged a penalty for releasing the goods.

- Export Letter of Credit Advising: Dhaka Bank Limited provides a prompt advising of export Letter of Credit from a wide international network. Under this arrangement, the bank offers both pre-shipment and post-shipment facilities to the exporters. The pre-shipment facilities are required to finance the costs of executing export orders, such as – procuring and processing of raw materials, packaging and transportation, payment of various fees and charges including insurance premium, etc. The post-shipment facilities of the bank are directed to finance the various requirements by the exporters after the shipment of the goods are made. Usually, the settlement of the export bills takes some time in the procedure of a Letter of Credit and in that time some financing can be assured by the bank to the exporter through post-shipment facilities.
- Back to Back Letter of Credit: The Back to Back Letter of Credit is a type of pre-shipment finance in which an L/C is opened in favor of the exporter for the purchase of raw material or finished merchandise that will be required for executing export order.
- Export Bills for collection: Export Bills for collection are the documents which are presented by the exporter to the advising bank for collection of export bills. These documents are forwarded to the issuing bank that in return effects payment to the exporter through the advising bank.
- Packing Credit: Packing Credit is a borrowing facility provided by Dhaka Bank Limited to help the exporter finance the costs of buying or making a set of products, packaging and transportation of the products from the factory to the port, etc. It is offered by the bank to meet the client's working capital requirement and can be extended if the purchaser issuing an L/C is based in another country.
- FDBP: Foreign Documentary Bill Purchased is post-shipment finance allowed to the exporter through the purchase of foreign documentary bills which will be adjusted from the export proceeds later on after the exporter receives his export bills.
- EDF: Export Development Fund was arranged by International Development Association (IDA) in the year 1989 at the request of Government of Bangladesh for promoting the export of non-traditional items manufactured in the country. According to Bangladesh Bank circulars, export-oriented manufacturing units in some sectors are allowed to avail EDF from Bangladesh Bank for bulk purchasing of raw material for manufacturing export products. The Authorized Dealer branches of Dhaka bank can also provide EDF facility to its client's or exporters who have an account in the bank. An exporter will be eligible for availing Export Development Fund facility under the following circumstances:

- a) The value addition of the products must be in line with the Import Policy Order, amounting to 20 percent of the FOB (Free On Board) Value except in case of garments where it has to be 30 percent or above.
- b) The loan should be utilized for importing raw materials to manufacture the exportable products.
- c) The exporter must have a valid contract with the supplier of the raw material.
- d) The exporter must create a Back to Back Letter of Credit for importing raw materials.

Some of the organizations who are eligible for EDF are – Bangladesh Textiles Manufacturer Association (BTMA) member mills, Bangladesh Garments Accessories & Packaging Manufacturers & Exporters Association (BGAPMEA), Leather Goods & Footwear Manufacturers & Exporters Association of Bangladesh (LFMEAB), etc. The Export Development Fund (EDF) provides the following assistance and support to the exporters:

- Venture Capital on easy terms and low interest rates;
- Assistance in obtaining foreign technology and consultancy for product development and diversification;
- Assistance in fielding marketing missions abroad and participating in international fairs for market compatibility of products;
- Assistance in establishing sales and display centers abroad and extending warehousing facilities;
- Assistance for participating in overseas training programmes on product development and marketing help develop technical skill and marketing expertise;
- Assistance in any other activity related to product and market development.

Besides these instruments, there are other instruments used for Export Finance similar to that of Import Finance like – Bill of Lading, Certificate of Origin, Commercial Invoice and Packing List.

3.5.9 Other Instruments of Foreign Trade Finance:

- IMP Form: IMP Form is an instrument that is used for making import payment and reporting about import payment to the Bangladesh Bank on their website. The IMP Form is created before opening a Letter of Credit in the issuing bank after the sales contract has been executed between the importer and the exporter and it has four copies – Original Copy, Duplicate Copy, Triplicate Copy and Quadruplicate Copy. An IMP form includes information about the amount of Invoice Value, Remit Amount, unit, quantity, H.S. Code

of the goods, description of the goods, country of origin, applicant or importer's name, etc.

- Statements/Schedules: CPC Trade Operation reports all of its foreign exchange transactions including outward and inward remittances affected through its accounts in foreign currencies. For this purpose, CPC Trade Operation submits monthly summarized statements of its transaction in each currency that has been affected throughout the month to the Head Office of Dhaka bank Limited. The Head Office sends the original and printed copies of the statements to the Statistics Department of the Head Office of Bangladesh Bank. The summary statements should be furnished in:
 - 1) Statement S-1: Statement S-1 is used for reporting transactions in all foreign currencies other than for transactions with ACU member countries.
 - 2) Statement S-2: Statement S-2 is use for reporting transactions with ACU member countries in ACU Dollars.
 - 3) Statement S-4: Statement S-4 is used for reporting transactions in Taka accounts of non-resident bank branches and correspondents held by Authorized Dealers.
 - 4) Statement S-5: Statement S-5 is used for reporting transactions in Barter and Special Trade Arrangement Accounts.
 - 5) Statement S-6: Statement S-6 is used for reporting transactions of sales and purchases of approved foreign currency notes.
 - 6) Statement FCS-7: Statement FCS-7 is used for reporting transactions of personal foreign remittances of Bangladesh nationals working abroad.
 - 7) Statement EFCS-8: Statement EFCS-8 is used for reporting transactions in exporters' foreign currency retention quota accounts.
 - 8) Statement S-9: Statement S-9 is used for reporting transactions in foreign currency accounts of resident corporate entities.
 - 9) Statement S-10: Statement S-10 is used for reporting transactions of the units of EPZ territory through Authorized Dealer branches.

- 10) Statement S-11: Statement S-11 is used for reporting transactions of the units of EPZ territory through Off-shore Banking Units.
 - 11) Statement S-12: Statement S-12 is used for reporting transactions of Money Changers.
 - 12) Statement S-13: Statement S-13 is used for reporting transactions in foreign currency accounts of other resident entities.
- EFTN: EFTN refers to Electronic Fund Transfer Network and it started its 'Live Operation' on February 28, 2011 with the objective to decrease paper-based payment methods and encourage electronic payment methods for secured, faster and cost effective transactions. The network started with credit transactions and opened for debits from September 15, 2011. EFTN facilitates the transmission of payment between the banks electronically making it a faster and efficient means of inter-bank clearing over the existing paper-based system. Through EFTN a wide variety of credit transfers are possible such as – payroll, foreign and domestic remittances, social security, company dividends, retirement, expense reimbursement, bill payments, corporate payments, government tax payments, social security payments and person to person payments. The debit transfers such as – mortgage payments, loan payments, insurance premiums, utility bill payments, government tax payments, government licensees and fees, etc. During the year 2013-2014, approximately 690,961 EFT credit transactions and 24,421 debit transactions are processed per month with an increasing trend. Moreover, the listed public companies are paying their cash dividends through EFT network. CPC Trade Operations has also started using EFTN for fast and efficient transfer of payments between bank accounts.
 - Central Bank Reporting: Bangladesh Bank has asked for a large number of reports from each commercial bank considering various interval frequencies such as monthly, quarterly, etc. Central Bank reporting reflects the banks all deposit, investment, foreign exchange, customer information and anything regarding the banking business. CPC Trade Operations does Central Bank Reporting of import payments, export remittances, IMP Form and EXP Form inputs, local and foreign payments, Inland Back to Back L/C payments and other inward and outward remittances.
 - Different Types of Letter of Credit: Among all the instruments of foreign trade finance used by CPC Trade Operations, the Letter of Credit is the most valuable one. There are different types of Letter of Credit that fulfills various conditions and purposes. Some of them are explained below:

1. Import/Export Letter of Credit: An Import/Export Letter of Credit which is popularly termed as Master Letter of Credit is the same credit and named differently depending on whose perspective it is being considered. For the importer it is termed as Import Letter of Credit and for the exporter it is termed as Export Letter of Credit.
2. Revocable Letter of Credit: Without the authentication of the exporter the importer can cancel or make any amendment of this type of Letter of Credit through the issuing bank. Most of the exporters will not accept this type of Letter of Credit nowadays.
3. Irrevocable Letter of Credit: It is the opposite of Revocable Letter of Credit because in this case, without the authentication of the exporter the importer cannot cancel or make any amendment of this type of Letter of Credit through the issuing bank. It can only be cancelled without the authentication of the exporter if it is expired. Exporters always prefer this type of Letter of Credit.
4. Transferable Letter of Credit: Transferable Letter of Credit is required when the exporter is not the actual supplier of goods but is a middleman or agent. Sometimes the middleman does not want the buyer and supplier knows each other. In this type of credit, the exporter has the right to transfer the credit to one or more subsequent beneficiaries to procure the goods and sent to the buyers.
5. Nontransferable Letter of Credit: For this type of Letter of Credit, the credit cannot be transferred to anyone by the exporter.
6. Confirmed Letter of Credit: It provides an additional confirmation or guarantee for the payment of the Letter of Credit. This type of Letter of Credit is used only when the issuing bank has questionable creditworthiness and the seller seeks to get a second guarantee for assuring payment.
7. Unconfirmed Letter of Credit: This type of Letter of Credit does not acquire the issuing bank's confirmation.
8. Sight Credit and Usance Credit (L/C): Sight Credit states that the payment will be made by the issuing bank at sight, on demand or on presentation. In case of Usance Credit, it requires an indicated duration for payment instead of getting paid immediately after the valid documents are checked. By this time the importer can take the opportunity of arranging money by selling the goods.

9. Red Clause Letter of Credit: This type of Letter of Credit carries a provision types in red ink which allows an exporter to draw up to a fixed sum from the advising bank in advance of the shipment or before presenting the prescribed documents.
10. Back to Back Letter of Credit: Back to Back Letter of Credit is issued by the advising bank to the exporter for procuring raw materials from his supplier. The permission of the importer or the issuing bank is not required for issuing a Back to Back Letter of Credit.
11. Standby Letter of Credit: Standby Letter of Credit is very much similar in nature to a Bank Guarantee and its main objective is to secure bank loans. This type of Letter of Credit is usually issued by the applicant's bank in the applicant's country and advised to the beneficiary through the advising bank.

Chapter-04

Findings, Recommendation and Conclusion

4.1 Analysis and Findings:

Responding to the ever changing trends and increased demand for Consumer Banking, Corporate Banking, SME Banking and Foreign Trade Finance activities, the Private Commercial Banks are competing against each other for attracting and retaining corporate clients and customers by evolving their strategies, structures, product and service offerings that will best fit and serve their clients and keep their banking business growing and prospering throughout the time. After analysis of the instruments of Foreign Trade Finance used by CPC Trade Operations, Dhaka Bank Limited, I have found few strengths and weaknesses which are described below.

4.2 Strengths of Foreign Trade Financing at Dhaka bank Limited:

- Dhaka Bank Limited has a wide network of branches operating in different regions of the country like – Dhaka Region, Chittagong Region, Narayanganj Region, Sylhet Region, Rajshahi Region, etc. Moreover, it has two Off-shore Banking Units at DEPZ and CEPZ along with Small Medium Enterprise Service centers at CEPZ, Goran and Shewrapara. These branches are equipped with well trained bankers and professionals who perform their duties and responsibilities with efficiency to satisfy their customers.
- CPC Trade Operations is divided into specialized departments for export and import trade financing activities and collection and checking of the documents by the expertise scrutiny team. The employees in each department work as team players and help each other in maximizing the efforts to get the required tasks done ahead of time.
- The employees of CPC Trade Operations are strictly supervised and monitored by the supervisor in charge of Trade Operations who always exhibits friendly behavior and advises regarding the proper utilization of the instruments of foreign trade financing.
- The customers and clients are given top most priority by the officers and they always tries to solve any discrepancies or problems that may arise because of some mistakes in the operational process at the quickest possible time which helps in creating long-lasting relationships with the customers.
- CPC Trade Operations uses cutting edge technology like Corporate Banking Softwares (Flex Cube, Forex, EFTN, SWIFT Alliance Messenger) that helps them complete their tasks within a short period of time and with increased accuracy. The use of these softwares makes the whole process of Letter of Credit much easier and the import/export bill settlement happens within the allotted time mentioned in the contracts.

- The bank always keeps its database up to date by giving online reporting to Bangladesh Bank about the inward and outward remittances that were affected through foreign exchange transactions associated with the importers and exporters.
- Dhaka Bank Limited strictly follows all the rules and regulation mentioned under Import Policy Order, Export Policy Order and the rules related with foreign trade financing and the use of the instruments of foreign trade finance.
- The bank offers flexibility to the importers and exporters by keeping different options open for the uses of Letter of Credit instrument as per demanded by their clients considering different scenarios. It also provides flexible line of credits to the customers that will facilitate them in their financing of foreign trade activities.

4.3 Recommendation:

Technology is evolving at a fast rate and with that the business world is also changing and to keep on track with such changes CPC Trade Operations needs to utilize sound technological support for using the latest software and building healthy information systems. CPC Trade Operations needs to update its operations for ensuring smooth service of Foreign Trade Finance. Some of the changes that could be undertaken are as follows –

- Electronic Archiving to reduce the number of paper based files and the records that are kept in hard copies can be stored in the server. This will save quite a lot of time as the employees will not have to search for related documents but can access the server at any point of time for getting the necessary information.
- Internal Info System for providing accurate and timely information automatically and it will facilitate the employees in retrieving any information they need for their regular operations.
- CPC Trade Operations can assign an Internal Audit Team for checking and controlling mismatches and errors. This will ensure the conformity and compliance of the operations of CPC.
- Research and Development Team should be formed that will work on formulating new strategies and techniques by implementing which CPC Trade Operations will become the most effective Unique Selling Proposition (USP) of Dhaka bank Limited.

4.4 Conclusion:

As a Private Commercial Bank, Dhaka Bank Limited has had a significant contribution to the banking sector as well as the economy of Bangladesh. Since the commencement of Dhaka bank Limited, it is continuously striving for excellence in banking by offering innovative products and services to the clients ranging from Consumer Banking, Corporate banking, SME Banking, Islamic Banking services to foreign trade financing. Considering the importance of the trade operations, Dhaka Bank Limited had centralized all of its export and import related operations by establishing CPC Trade Operations in the year 2009. From the very beginning of its operations CPC has centrally dealt with all import Letter of Credits, export bills, import payment settlements with the help of well trained personnel who are expert in foreign trade financing. Besides this, CPC Trade Operations is equipped with the latest technologies like Corporate Softwares that facilitates quick processing of the import and export transactions. The proper use of the instruments of foreign trade financing, abidance to the rules and regulations and strict monitoring has ensured effective and efficient functioning of the trade activities leading to long lasting ties with the importers and exporters which is helping the expansion of trade financing. In the long run CPC Trade Operations will have huge contribution to the economy of Bangladesh through facilitating the inward and outward flows of foreign currencies into and out of the country.

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