



INTERNSHIP REPORT

ON

“An Overview on Problems in Handling Day to Day Foreign Trade Transaction in Al-Arafah Islami Bank Ltd and Solutions there of”

Course No: Bus-699

Submitted To

Nusrat Hafiz

Lecturer

BRAC Business School

Submitted by

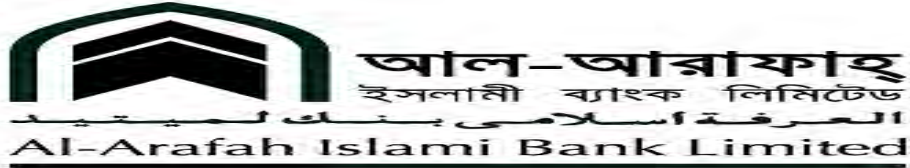
HasanMahamudMazumder

ID: 13164104

Department: Master of Business Administration(MBA)

Major: Marketing

Date: 30 August 2015



Letter of Transmittal

30 August 2015

Nusrat Hafiz
Lecturer
BRAC Business School
BRAC UNIVERSITY

Subject: Internship Report on ***“An Overview on Problems in Handling Day to Day Foreign Trade Transaction in Al-ArafahIslami Bank Ltd and Solutions there of”***

Dear Madam,

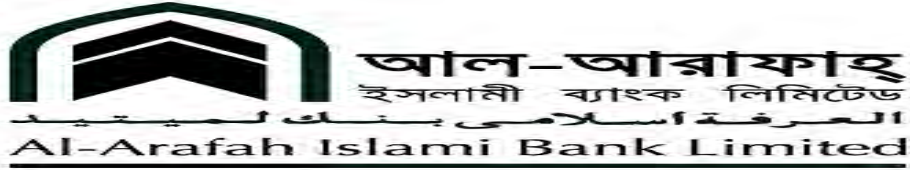
Here I would like to describe “An Overview on Problems in Handling Day to Day Foreign Trade Transaction in Al-ArafahIslami Bank Ltd and Solutions There of”.

This report is prepared for you during Summer-15 semester. It took More than one month to prepare the report and I tried to gather as much information as possible within this limited time. Although this short-period time is not enough to have in depth knowledge about the real corporate world, this report give me much insight in Islamic Banking Practiced by Al-ArafahIslami Bank(AIBL).

I Would like to thank you for giving me the opportunity to prepare this report under your sincere guidance and cooperation.

Thank You,

.....
HasanMahamudMazumder



Acknowledgement

I want to express my gratitude to all the people which are required both specifically in addition to ultimately inside preparation with this record. I apologize to the people whose names that I have not mentioned, in addition to their factor is usually hugely treasured through myself.

To begin with, I would like to thank my academic supervisor Nusrat Hafiz, Lecturer, BRAC Business School, BRAC University for guiding me and for giving me the opportunity to initiate this report.

I want to thank all the officials of Al-Arafah Islami Bank Limited (VIP Road Branch) that were involved. I would like to give Special Thanks to My Supervisor Kh. Nazmul Islam (Assistant Vice President), Md. Shahed Imran bin Aman (Principle Officer), Golam Kibria (Senior Principle Officer), Md. Amir Hossain Nazim, SPO (Investment & Marketing Dept) & many others for giving me time and sharing their thoughts and insights regarding their Knowledge and their bank as a whole. I want to say thanks to these people pertaining to offer myself the specified data for you to start this kind of record.

Finally, I have to convey my exclusive thanks to the Human Resource Department of AIBL pertaining to offer the chance for making my internship plan on this business. At long last, I am obligated to pay a certain many thanks in addition to convey my heartiest gratefulness in addition to indebtedness for my parents and those who have offered myself to carry on academic career.



Contents

CHAPTER-01	6
1.1 INTRODUCTION:.....	6
1.2 Historical Background of Al-Arafah Islami Bank Limited (AIBL):.....	6
1.4 Product and Service Offerings of AIBL :	8
1.5 Vision, Mission, Commitments:	11
CHAPTER-02	12
2.1 Job Description:.....	12
2.2 Specific responsibilities of the job:	12
CHAPTER-03:	14
3.0 Project Work:	14
3.1 Summary:.....	14
3.2 Objective of the Report:.....	15
CHAPTER-04	33
4.0 "Overview on Day to Day Basis Foreign Trade Problems and Solutions There Of" :.....	33
CHAPTER-05:	37
Recommendations:	37
CHAPTER-06:	38
Conclusion:.....	38
CHAPTER-07:	40
References:	40



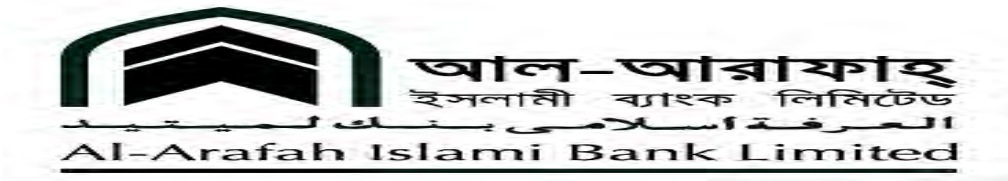
EXECUTIVE SUMMARY

Bank is a good Industry for varieties of Financial Transaction. Good Banking Performance can make a huge difference for a country. Foreign Trade is a Major Business activity which is done in very systematic way by Al-Arafah Islami Bank Limited.

Al-Arafah Islami Bank Limited is scheduled commercial bank registered by the Bangladesh Bank. The functions of the bank cover a wide range of banking and functional activities in order to folks, businesses, company bodies and also other multinational firms.

The main objective of the study is to give **“An Overview on Problems in Handling Day to Day Foreign Trade Transaction in Al-Arafah Islami Bank Ltd and Solutions There of”**.

The working report stands for foreign trade activities in Al-Arafah Islami Bank Ltd. Foreign Trade operations is amongst the substantial functions with the bank. The idea plays a significant purpose in total economic system with the land. Foreign trading contains Import, Export and foreign remittance department contains inward and outwards remittance. . From the beginning with the report, the whole international trading actions in relation to export along with Import has been described. All of the clauses along with steps tend to be plainly talked about with this report. The facts concerning Notice of credit when i.e at the class of L/C, L/C launching procedure, varieties of L/C, L/C installments moods, needed files, files examining, sending L/C, concerning pre-shipment check up if it is necessary. The treatment will begin from getting the ERC (Export registration certificate) by chief controller of import & export office.



CHAPTER-01

1.1 INTRODUCTION:

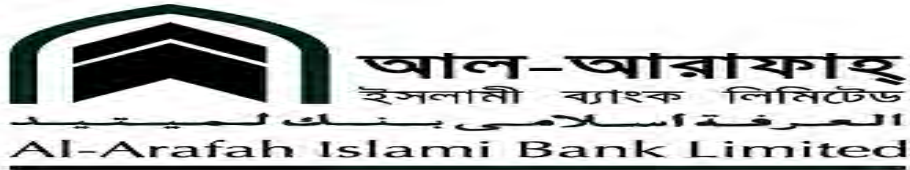
In This Globalization era, Our world is growing very much speedy based on the technological development and proper economic environment. So, Islamic Banking in the contest of Bangladesh has also been emerged through all over the world which is based on the human economics.

To establish a successful human life, two fundamentals are very essential : the first fundamental is policy support and the second one is rising economic environment. The Islamic Banking is playing a vital role in the economic development in our country through Foreign trade Business. By maintaining excellent International trade according to the government policy, Globalization has become the major mover of our country. Al-Arafah Islami Bank is one of the key player for economic development, began to focus on International Trade activities to increase Financial Development. Now-a-days Bangladesh originates as a outstanding role of Al-Arafah Islami Bank Bangladesh Limited in the contest of Bangladesh Banking Sector. This become possible due to compatibility of Islamic Banking Systems.

This Report Describes the Al-Arafah Islami Bank Limited in the contest of Bangladesh Focusing on Foreign Trade Activities and Day to Day Problems arise in Foreign Trade and their Solutions and Opportunities. Because, International Trade is a very Important Factor to Economic Growth and for achieving Successful Goals.

1.2 Historical Background of Al-Arafah Islami Bank Limited (AIBL):

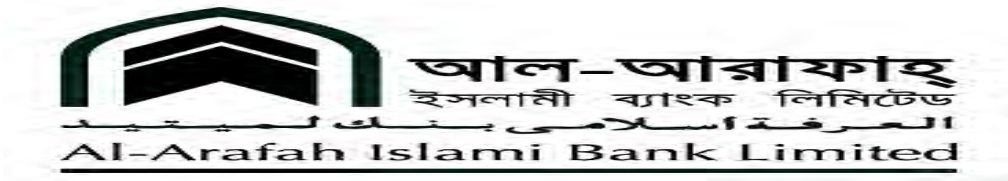
Al-Arafah Islami Bank Ltd is a public limited company which was established on 18 June, 1995. In 27 September 1995 The start up festival was held. The authorized capital of the bank is Tk.2500.00 million and the paid up capital Tk.1500 million. Some very Outstanding Islamic sponsors of the bank. The bank is committed to contribute drastically in our country's economy. Al-Arafah Islami Bank made a tremendous contribution towards the socio economic development of the country by starting 94 branches on which 31 authorized dealer throughout the country. The bank conducts the company about the guidelines regarding Mudaraba, Bai-muazzal, along with use invest in purchases okayed by Bangladesh Bank.



By natural means, the methods along with businesses tend to be considerably distinctive from these regarding some other regular commercial bank. There is a Shariah council inside the bank who maintains constant caution to ensure that those things of the bank are now being executed about the precepts regarding Islam. The Shariah Council is made of Ulemas, reputed bankers, renowned lawyers and great economist.

1.3 Islamic Banking Movement in Bangladesh :

In August 1974, Bangladesh brought the Charter of Islamic Development Bank in addition to dedicated by itself to reorganize its financial system per Islamic Shariah. In 1981, the President of People's Republic of Bangladesh though dealing with the 3rd Islamic Summit conference placed at Makka as well as Taif recommended, "the Islamic nations around the world need to produce a separate banking program with their individual so that you can help his or her buy and sell as well as commerce" That statement on the us president pointed out beneficial attitude on the Government of the people's republic of Bangladesh towards building Islamic banking as well as financial institutions . Previous throughout The fall of 1980, Bangladesh Bank, the actual country's Core Bank, sent a representative to check the actual doing the job regarding numerous Islamic banking institutions throughout abroad. With The fall of 1982, a delegation regarding IDB stopped at Bangladesh as well as showed confident interest to be able to participate to be able to building a Islamic standard bank from the private field. That they discovered lots of operate had already been as well as Islamic standard bank was a student in currently type intended for speedy introduction. Two expert bodies-Islamic Economics Research Bureau (IERB) as well as Bangladesh Islamic Bankers Association (BIBA) manufactured significant share towards introduction regarding Islamic bank in the country. That they came forwards to offer education upon Islamic bank to be able to major bankers as well as economist to be able to fill- the hoover regarding control money for hard times Islamic banking institutions throughout Bangladesh. In addition, they placed tutorials, symposia as well as classes upon Islamic economics as well as bank during the entire land to be able to mobilize general public opinion in favor of Islamic bank. Their particular expert routines were strengthened simply by several Muslim business societies doing the job under the agencies on the subsequently Muslim Small business Contemporary society. The body targeted largely throughout mobilizing collateral money for the emerging Islamic standard bank. At last, the actual lengthy drawn struggle to identify a Islamic bank throughout Bangladesh became a reality as well as Islami Bank Bangladesh Minimal has been set up throughout 03 1983 in which twenty Bangladeshi national, several Bangladeshi companies as well as 11 banking institutions, financial institutions



as well as specialists on the Government bodies of the middle-east as well as The european countries has eminent personalities on the Kingdom regarding Saudi Arabic became a member of fingers to make the actual a reality. Afterwards some other 05 Islamic Banks , Islamic Insurance Companies and Financial Institutions were Established in the country.

1.4 Product and Service Offerings of AIBL :

I. Deposit:

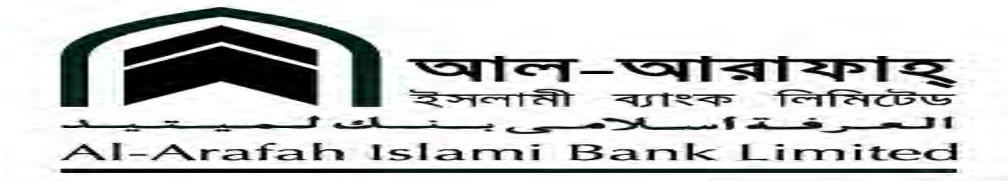
- Al-Wadiah Current Deposit(CD)
- Mudaraba Saving Deposit(MSD)
- Mudaraba Term Deposit Receipt Account.(MTDR)
- Short Term Deposit
- Installment Term Deposit
 - Kotipoti Deposit Scheme
 - Millionaire Deposit Scheme
 - Luckhpoti Deposit Scheme
- DoubleBenefit Deposit Scheme.

- Al-Arafah Termed Hajj Deposit Scheme(THD)
- Small Investment Scheme.
 - Short Notice Deposit(SND)
- Monthly Profit based term deposit
- Al-Arafah Savings Bond (ASB)
- Monthly Installment based Marriage Savings Investment Scheme(MIS)
- Foreign Currency Deposit
- Pension Deposit Scheme
- Cash waqf Deposit Scheme

II. Investment:

- Agriculture Sector

- Industrial Sector
- Business Sector



- Construction & housing
- Foreign Trade
- Transportation Sector
- Investment scheme in Mosque and madrasa
- Small Enterprise Investment Scheme

- Consumer InvestmentScheme

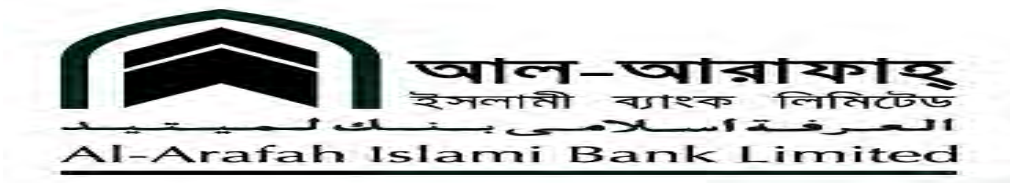
III. Foreign Trade:

- Import
- Export
- Remittance

IV. Locker Services

V. MSME

VI. ATM Services



Operational Network of AIBL:





1.5 Vision, Mission, Commitments:

Vision:

- To become a pioneer with Islamic Banking with Bangladesh and also contribute significantly towards the increase from the nation's economy.

Mission:

- Obtaining the fulfillment involving Almighty Allah both here & hereafter.
- Shariah Based Banking Practices.
- Adopting the latest technology for quality financial service.
- Managing high standard of business ethics.
- Maintaining Efficient customer service.
- Continuous & competitive return on shareholders equity.
- New Methods of banking at a competitive price.
- Fascinate quality human resources.
- Increasing competitive compensation packages to the employees.
- Company Determination to the growth of national economy.
- Adding Micro and SME financing.

Commitments:

- Customer-Driven modern Islamic Banking making effective growth in both running deposit and Better Investment to keep our position as a leading Islami Bank in Bangladesh.
- To deliver financial services with the touch retail, SME as well as corporate customers through our branches in whole country.
- Our initiatives are architect to match the changing trade & industrial needs of the clients.



CHAPTER-02

2.1 Job Description:

The internship programme is an excellent opportunity to expose talent for an MBA Programme. The duration of the Internship Programme is 12 weeks (03 Months) is a best way of learning way and to know about the Organizational Procedures as well as adapting an environment with professional employees and this way to learn about professionalism. In order to Complete My internship Programme I was appointed in Al-ArafahIslami Bank Ltd in VIP Road Branch. The Internship report is based on ***“An Overview on Problems in Handling Day to Day Foreign Trade Transaction in Al-ArafahIslami Bank Ltd and Solutions There of”***.

It was really a fantastic opportunity to work as an intern in a reknowned bank in Bangladesh. I worked there in the Foreign Trade Department. My main supervisor was Kh.Nazmul Islam (Assistant Vice President) of Al-ArafahIslami Bank Ltd. Activities of Foreign Trade Department gave me lots of real life experience about job life and enhance my skills a lot. I will be always grateful to Mr.Shaheedul al Imran(Principal Officer),GolamKibria(Senior Principle Officer),Md. Amir HossainNazim, SPO(Investment & Marketing Dept) because they monitored me always in the right track thus I can Complete the tasks in Regular manner.

2.2 Specific responsibilities of the job:

As an Internee I got opportunity to work in whole the bank. But mainly,I worked import section and export section of foreign trade department. In import divison, I filled up IMP forms, I updated L/C opening forms. I made check list for all L/C file. In export division, I issued EXP forms.After receiving all the documents from exporter, I sorted out all of these and made forwarding for EXP documents. I updated all these data in Microsoft excel and also the register.

2.3 Different Aspects Of Job Performance:

To be an effective Foreign Trade Officer these qualities are needed to follow :



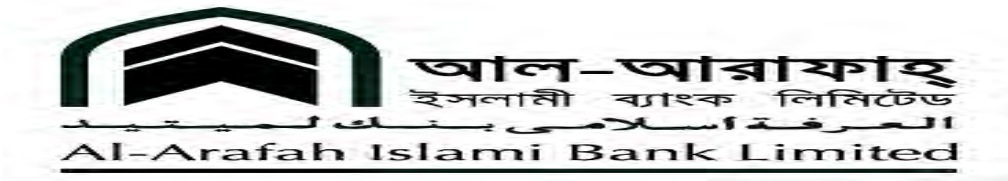
- A Foreign Trade Officer need to know the whole L/C procedure both Import and Export.
- Foreign Trade Officers must build relationship with importers and exporters for increasing their job performance.
- A Foreign Trade Officer must be very careful in his job because one simple mistake can cause thousand dollar loss.
- Foreign Trade Officers should have minimum knowledge about overall banking to run smoothly International Trade.
- They Must have good Communication Skill as well as English Speaking Skill to Contact with foreign traders.
- A Foreign Trade Officer must have good management skill to Monitor overall Foreign Trade activities.
- A Foreign Trade Officer must be very punctual. Otherwise it might be serious threaten for their Job.

If Foreign Trade Personnel can maintain above quality the they can bring outstanding success for their company.

2.4 Critical observation and recommendation:

During this short period of time it is quite impossible for me to monitor the company's overall foreign trade activities. Within this little time, I have observed several major factors of the foreign trade activities of Al-ArafahIslami Bank Ltd. These are given below:

- Al-ArafahIslami Bank Ltd. has large number Customers which is very good for foreign trade business.
- The personnel of Al-ArafahIslami Bank Ltd. is very dedicated in their workplace and they are always trying to improve their Organization's productivity



- Al-ArafahIslami Bank Ltd.maintain updated management information system to keep all kinds of data about their organization, clients, products and services.

Al-ArafahIslami Bank Ltd. Personnel have very strong Customer relation. So that, their clients are very much satisfied upon them

Although Al-ArafahIslami Bank Ltd. is doing great job as an Organization but yet I think they need to Upgrade some performance as follows:

- They need to give better focus on their service through Technological Development.
- Although they have enormous customer base, still I think they can enhance more customers and they can observe several other banks to Increase their Customer-Data base.
- They should develop more training center as well as bring high skilled trainer for building more skilled personnel.

CHAPTER-03:

3.0 Project Work:

3.1Summary:

Import and export plays a vital role for our economic growth. For that reason, Foreign trade activities in our Banking sector is very much important. In this Report I tried to Find out the daily basis foreign trade problems, misperception and how to overcome that solutions.

As a part of Internship program, this particular report is being prepared on the proposed topic. ***“An Overview on Problems in Handling Day to Day Foreign Trade Transaction in Al-ArafahIslami Bank Ltd and Solutions there of”***.The intention was to give an opportunity to the students to gain some real world experience by working in a practical environment. The



internship supervisor was Kh.Nazmul Islam (Assistant Vice President) of Al-ArafahIslami BankLimited(AIBL) and the faculty advisor was Ms.Nusrat Hafiz, Lecturer, BRAC Business School, BRAC University.

3.2 Objective of the Report:

Major Objective:

- To monitor the overall foreign trade activities and to find out Foreign trade problems & prospects.

Specific Objective:

- To know about foreign trade activities. i.e : Export & Import
- To gain knowledge about export & import documents
- To know about how to issuing L/C.
- Continuous Process of L/C amendment &lodgement system
- To acquire a practical knowledge about import & export procedure and the system of foreign remittance

Methodology of the study:

a.

Basic information were collected by the following ways:

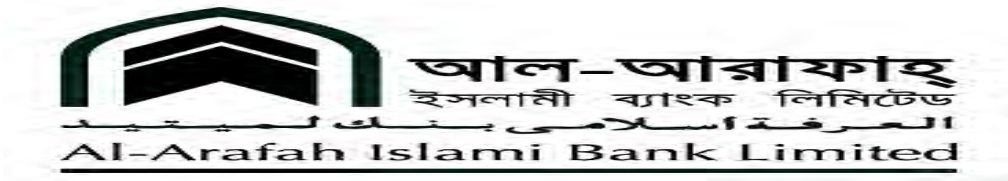
- Communicate Directly with bank officers & clients;
- Observing on different desk of the bank;
- Observing organizational procedures

.

b.

The Main Secondary Sources from Which Data were Accumulated are as follows:

- Annual Report of Al-ArafahIslami Bank Ltd;



- Foreign exchange operation Publications.
- Newspapers and Internet
- Official Files Of Al-ArafahIslami Bank Ltd

Scope of The Study:

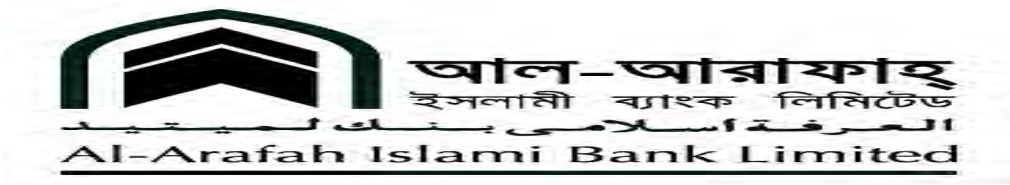
This report is made by extensive discussion with bank officers and with the customers. During the report work, I had a great advantage to collect huge knowledge about the banking activities & procedures practiced by the Al-ArafahIslami Bank Ltd.

3.3 Limitations of the Study:

- The major obstacle of the study is lack of information which was required for the study. There are a lot of information the bank employee can't provide for their security and other corporate obligations.
- Every organization has their own privacy that is not revealed to others. While collecting Information through interviewing the employees, they did not disclose much data for the sake of the secrecy of the organization.
- Due to limitations of time many area could not be covered in the present report.
- Since the bank officers were very busy, they could provide me very small amount of time.
- Another Common problem faced during the preparation of this report was the contradictory interpretation of same subject by different officers.

3.4 Foreign Trade ActivitiesOf Al-ArafahIslami Bank Limited (VIP Road Branch):

Banking is a Service industry. Services of varied nature are being performed to the customers and the general public. From the beginning to till now Al-ArafahIslami Bank is strongly devoted to give an excellent quality service to the customer and at a time the authority is providing a better facility to the employees. The services corporate banking offers are vast and wide. The bank has the departments of – General banking, Credit & Marketing department and Foreign trade. Foreign trade is one of the major activities of the bank. Foreign Trade Activities of VIP Road Branch is Outstanding



Foreign Trade department:

Foreign trade refers to the exchange of foreign currency for the trade purpose between two countries. In addition to, foreign trade deals foreign financial transactions related to trade or business. Foreign trade department has two sections.

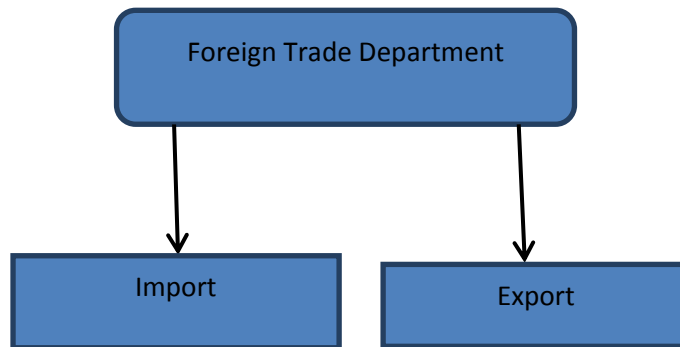


Fig:Foreign Trade Department



International Trade Payment Methods:

Payment methods are very much important because in today's global marketplace and to win sales against foreign competitors, exporters we have to offer their customers lucrative sales terms supported by the proper payment methods. Because full payment and on time delivery is the ultimate goal for each export sale, and appropriate payment method must be chosen carefully to reduce the payment risk while also accommodating the needs of the buyer. There are four basic methods of payment for international transactions.

1. Advance Payment: Under cash in advance first payment is made by the importer to the exporter and shipment is made by the exporter. Here:

- Interest of exporters highly protected
- Interest of Importer is not protected
- Involvement of Bank is Insignificant
- It is the cheapest form of trade payment method from the point of view of traders
- There is no universally accepted regulation to guide cash in advance.
- Purchase/Sale agreement is the Guiding document
- It is the least popular trade payment method in the world

2. Move to Open account : Open Account is the reverse of cash in advance. First, the goods are received by the importer and the payment is made Here :

- The interest of importer is protected.
- Interest of exporter is not protected
- Involvement of Bank is Significant
- It is the Cheapest form of trade payment method from the point of view of traders
- There is no universally regulation to guide move to open A/C.
- Purchase/Sale agreement is the guiding document
- It is the most popular trade payment method in the world

3. Documentary Collection: Documentary Collection Means collection of payment by a bank on behalf of exporter from importer against documents.



In case of Documentary collection bank do not make payment rates banks collect payment on behalf of exporter. In Documentary Collection :

- Interest of Importer is protected
- Interest of exporter is better protected than open account
- All the bank involve in the process are legally exporters agent.
- Exporter is responsible for all charges, applicable for the banks
- Documentary collection could be risky for the exporter if the documents are not received by the importer or payment is not made even after offering the acceptance.
- It is guided by URC 522 and purchase/sale agreement. It is relatively costlier as compare to cash in advance and open account, however cheaper than L/C from the point of view of the traders.
- Involvement of Bank is comparatively higher than open account and cash in advance.

4. Letter of Credit (L/C): L/C is a commitment or undertaking of a bank on behalf of importer to the exporter. About the payment of certain amount. Subject to the fulfillment of certain documentary conditions.

L/C process:

Step 01:

Purchase/ Sale agreement is the L/C process importer is known an applicant because importer applies to a bank to issue letter of credit

As the exporter gets the benefits of L/C that's why, exporter is known as beneficiary.

As the time of L/C. issuing bank suppose to state on the face of L/C that, it is written the framework of UCP 600.

[N.B: Before issuing a letter of credit and issuing bank must have a financing agreement with the applicant/ the importer]



Step 02:

Issuing Bank issues letter of credit to send to the exporter either directly or using the service of another bank which is known as advising bank.

Main parties of L/C :

- Issuing bank is Importer & Exporter
 - L/C is a financing technique for the importer where parties are issuing bank and importer.\
 - L/C is a payment technique for the exporter and the parties are issuing bank and exporter.
- [N.B: UCP,UCPDC does not deal with the financing component of L/C rather UCP deals with payment component of L/C

Procedure to open an Letter of Credit (From import and export perspective):

The cart below shows how participants are involved in the process of opening and payment of L/C:

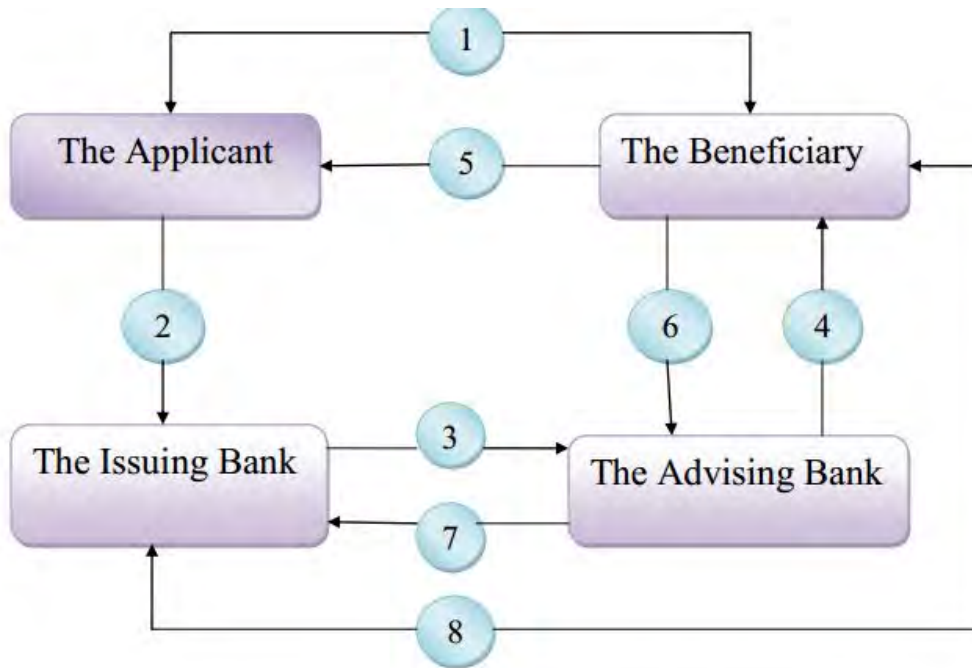
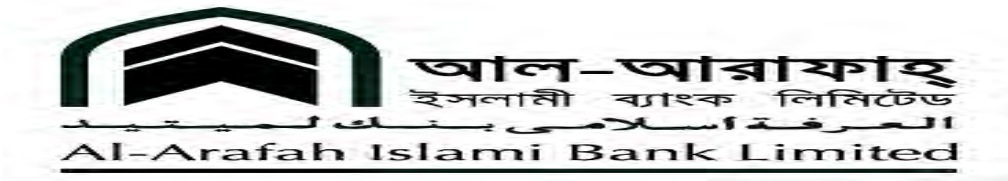


Figure: Procedure to open an Letter of Credit (From import and export perspective)

Classification of L/C:

There are three types of L/C offered by the Al-ArafahIslami Bank VIP Road branch. These are:

- 1. Sight L/C:** In sight L/C Payment should be made within five working days after the



document has been received from the exporter.

2. Deferred L/C: In this system, Payment must be made on or after the due date i.e. Shipment date or Bill of lading date. The duration of deferred L/C is normally 60 days, 90 days and 120 days. This is totally depends on the party demand.

3. Back to Back L/C: Back to Back L/C is open by the exporter. If exporter want to import goods or equipment to manufacture the buyer goods, then he/she may import those goods or equipment by opening a L/C against mother L/C. the value of the back to back L/C can be 80% of the mother L/C.

Payments Modes of L/C:

4. Sight payment: If the importer will get back the imported merchandises perfectly then the payment must be cleared as early as possible

5. Deferred Payment: Payment will be clear after a certain period of time that is determined under negotiation between the importer and exporter. The payment duration might be 60 days, 90 days, and 120 days. Time period selection depends under negotiations between importer and exporter.

IMPORT:

When a country has scarcity of goods & Services but they need to fulfill it, then they tend to buy the goods and services from another country. This process is called import. To continue this process, import and export control act, 1950 the office of chief controller of import and export declared the import registration certificate (IRC) towards the importer. By means of obtaining this kind of, he/she needs to ensure a Letter of Credit Authorization (LCA). And then an individual become eligible for import. He or she is the person who can get or instructs the actual opening bank in order to open an L/C. He or she is also known as applicant for the credit



Step-1: L/C issuing:

This is the first terms to import issuing the L/C. Letter of credit is the dependable for both importer and exporter in order to get payment properly.

The transaction originates when the exporter in New York and the importer in Dhaka enter into a deal of sale. The deal covers all important particulars like value and quantity of products, the due date for shipment, method of payment etc. By fulfilling This conditions a letter of credit should be opened in favor of the exporter.

For opening L/C is contain a required documents which is given below:

- L/C amount
- Country of origin
- Types of paymentmoods
- Cost &Freight(CFR),Free On Board(FOB), Negotiation, and Acceptance etc.
- Port of shipment,&Shipmant date.
- Insurance cover note& policy should be mentioned.
- Amount of Draft, Dollar rate which is equivalent to taka of BD, charges and other Commission.

- Types of paymentmoods
- Cost &Freight(CFR),Free On Board(FOB), Negotiation, and Acceptance etc.
- Port of shipment,&Shipmant date.
- Insurance cover note& policy should be mentioned.
- Amount of Draft, Dollar rate which is equivalent to taka of BD, charges and other Commission.

IMP form which contains H.S code (Harmonize system code), it exposes to types of product. Quantity of goods & Value of Invoice, L/C authorizationRegistration no. form from Bangladesh Bank Registration unit, The carrier name like air or ship and other terms and conditions. The



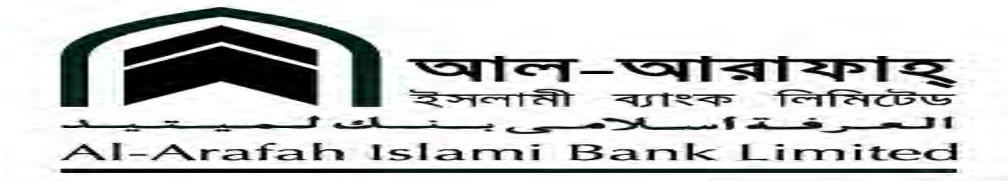
IMP forms should be submitted in duplicate by the importer.

- Letter of credit authorization form which includes different rules and regulation about the imported items and imports. Letter of Credit Authorization which is issued by the importer's bank is necessary for import.
- Document of charges
- Agreement form that involves details contract between Importer and Exporter.

After completion all above declared properly then have to fulfill other papers and documents with verify of the self-signature and after that submit it to bank.

Papers and documents:

- Trade License.
- Import Registration Certificate (IRC).
- TIN(Tax Identification Number) no.
- Certificate for Membership
- For some Limited companies need Memorandum of Association
- Deed of registration(Only for Partnership Companies).
- Photograph.
- Insurance cover note copy and money receipt.
- Proforma Invoice



Step-2: Transmission of L/C

After enrolling the L/C application and L/C authorization is transferred to the advising bank. Letter of credit can be sent to the advising bank by three modes. These are Courier, Telex, and SWIFT (Society for worldwide inter telecommunication network).

The Al-Arafah Islami Bank Ltd use SWIFT when L/C is disposed in the following manner:

- First two copies transmitted to the advising bank original for beneficiary and second copy for advising bank.
- One copy is sent to the importer.
- One copy to Head office.
- One copy is sent to the Bangladesh Bank.
- One copy is retained as office copy.
- One copy is sent to the C.C.I. &E (Chief controller of Imports and Exports).

Exporter receives the L/C through the advising bank. Receiving L/C, exporter manufacture the goods as per needs and ships it before correct date. If any amendment is needed, exporter contacts with the importer. If the importer allow to do so, then the issuing bank issue amendment for the L/C.

Amendments: After issuing of a credit, it may necessary to change some of the condition of the credit or delete some or add some. These alterations are contacted through the same bank that advised the credit. There can be more than one amendment to the credit. Issuing bank intends the credit that all of the amendments from an individual part of the main credit issued.

Amendment can be done for many reasons under some guidelines which are given below:

- I. For Extension date of shipment.
- II. For Extension of draft amount within L/C limit.
- III. Change in specification of goods, value or quantity to be imported.

After shipments of the goods, the exporters prepare the necessary documents and submit it to advising bank for payment. After than shipment, exporters submit the following documents for negotiations:



- a. Bill of exchange
- b. Bill of Lading
- c. Commercial invoice
- d. Insurance policy
- e. Inspection certificate
- f. Packing List

Step-3: Document checking:

The Followings Documents are the important documents to be obtained by the issuing bank after receiving the document from the nominated bank:

- Head office approval (For new importer).
- Pro-forma invoice.
- Guarantor's signature in the L/C application form, if required.
- L/C application form duly filled in and applicant's signature verified.

- Insurance cover note with money receipt.
- Insurance checked for value ,goods, mode of transportation, shipment from and to etc.
- LCA (Letter of Credit Authorization form) properly fill up and duly signed.
- IMP form duly signed.
- Membership Certificate from chamber ofcommerce .
- Valid IRC held.
- Check the goods that are not banned or restricted item as per import policy.
- Up to date income tax certificate.
- Vat Registration Certificate
- Checking country of origin for the specific goods.
- Margin including all L/C related charges realized.
- Update suppliers or Beneficiary's credit report.

Step-4: Lodgment:

Lodgment refers to payment of import bills . L/C issuing bank will arrange to make payment against L/C through SWIFT. By SWIFT a telex message is transfered to the correspondent bank



ensuring that payment has made. After checking the import-negotiating document, if no dissimilarity is found then it treated to be accepted after the end of five banking days for the day of receipt of the document. If any dissimilarity is found then the banker informs it to the importer whether it accepted the bill with dissimilarities or not. If the importer don't accept, the banker must inform it to the nominated bank in between seven bank working days from the date of receipt of the documents, otherwise it is treated to be accepted and the openingbank must responsible to pay.

Step-5: Retirement & Reports:

After completion of the payment of the import bill, the branch make the retirement vouchers to reflect the amount of cost & other charges from importer and adjustments of margin. Therefore the documents are handed over to the importer against proper acknowledgment after certificate & approval.

Steps involved in retirement are:

- Interest calculation(If Require)
- Register for the entry
- Endorsement is made on the back side of the bill of exchange as received payment.
- Received of acknowledgement on the office copy and the memo of cost from the importer in his authorization agent.
- Filling of the office copy.

Export:

Whenever a country sales the products to other countries after fulfilling their own demand then it is called export. Export trade run a significant contribution on the national economy.

The export trade of Bangladesh is controlled by the Import and Export control Act, 1950. There are a number of traditional activities that an exporter must fulfill pre and post shipment of goods. The primary requirement is to engage in the business of import and export, registration with the Chief Controller of Imports and Exports.

These procedures are continued as follows:

Step-1: Advising L/C:

Advising L/C is the Initial step to export for a bank .But in case of advance payment or



documentary collections, this advising L/C step is not needed. Obtaining the sales contract, the exporter should ask the buyer for letter of credit(L/C) for clearly staying terms and conditions of export and payment. When export L/C is transformed to the bank for advising, the advising bank sends an advising letter to the beneficiary .That Demonstrate ,L/C has been issued. Issuing bank sent two copies of L/C. Main copy is given to the beneficiary and the second copy is hold by the branch.

Step-2: Issuing of EXP:

All exports must be announced on the EXP form which the branch to their clients engaged in export trade supplies. The branch make sure that the exporter is certified with the CCI & E before certifying any export form. EXP is issued to the exporter. The exporter then bring this EXP form and pass to the customs. An EXP form contains the following terms:

- Name & address of the authorized dealer.
- Particulars of the product to be exported with code.
- Country of destination.
- Port of destination
- Terms of sales.
- L/C value in foreign currency.

- Name and address of the importer.
- Name of caring vessel.
- Bill of lading.
- No. & date.
- Land custom post.
- Port of shipment.
- Shipment date.
- Name and address of the exporter.
- Sector (Public or Private) under which the exporter falls.



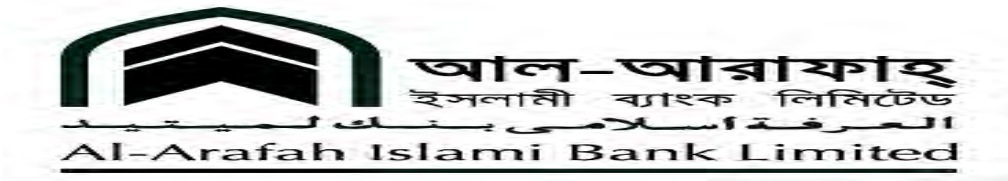
Step-3: Document Collection:

The exporter make shipment of goods and prepare document as per the deed. The exporter must submit all the copies of EXP form along with other documents to the branch within 14 days of shipment. Exporter carries the required documents mentioned in L/C are as such:

- Bill of exchange: The Bill of Exchange is the Way of collecting export payment from the importer.
- Bill of Lading: The Bill of lading is a document that is issued by the shipping company, following the reception of goods.
- Insurance policy: In case of any incidence to the product during the conveying period, according to insurance policy the insurance company will bound to take the liability for the damaged product.
- Certificate of origin: A certificate of origin announce the place of actual manufacturer or growth of the goods.
- Inspection certificate: These certificates ensure the product exactness according to L/C.
- Commercial invoice: An Invoice where all product details is mentioned.
- Packing list: It is the list which used to find out the specified packages and no of CTNS exported.
- Full set of shipping document: The document which must me handover to the custom House through C & F agent.
- These documents must be delivered to the bank for negotiation. The responsible officer must inspect all the documents and make sure about the terms and conditions are right or wrong. Therefore, the nominated bank forward the full document to the importer bank.

Step-4: Realization of Export Proceeds:

The importer bank can only deliver the money when all documents are send to them. Nominated



bank understand the export proceeds within 120 days. The duration preferred by the Bangladesh Bank within which exporter must receive full foreign trade proceeds of exporter in 120 Days. If the receipt of the full proceeds of any shipment is post poned beyond the period without a special authority from the Bangladesh Bank. Branch can make payment to the exporter by running the Accounting Vouchers. The exporter will be accountable to action under FER Act, 1947.

Step-5: Reports:

After receiving the payment, branch certifies on the opposite of the triple copy of the form which hold with them and delivered it to the Bangladesh Bank with as usual return. The four copy is hold by the branch for record. The nominated bank must report duplicate EXP form to the Bangladesh Bank within 14 days of shipment.

Step-6: Issuing Proceeds Realization Certificate (PRC):

In this process the nominated bank is issued Proceeds Realization Certificate (PRC) to the exporter. Once the export proceeds are understand, the exporter have to prepare bank certificate. Proceed Realization Certificate (PRC) must be submitted in the standard version issued at Bangladesh.

Step-7: Retirement & Reports:

After completion of the payment of the import bill, the branch make the retirement vouchers to reflect the amount of cost & other charges from importer and adjustments of margin. Therefore the documents are handed over to the importer against proper acknowledgment after certificate & approval.

Steps involved in retirement are:

- Interest calculation
- Registration of entry
- Endorsement which is made by the back side of the bill of exchange as areceived payment.
- Acknowledgement receipt copy along with the office copy of the cost memo from the



importer in his authorization agent.

- Filling office copy.

Foreign Remittance Department:

Al-Arafah Bank VIP Road branch is an authorized dealer. Foreign remittance offers foreign currency receiving and converting. There are two types of foreign remittance, i) Inward foreign remittance and ii) outward foreign remittance.

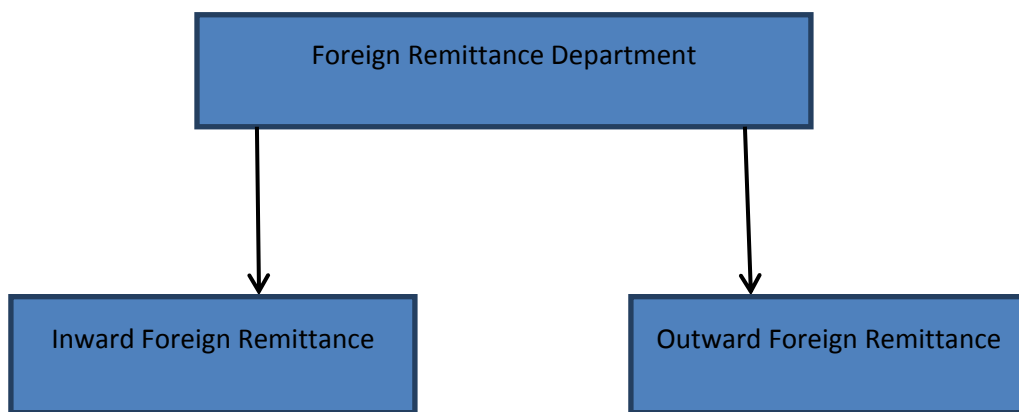
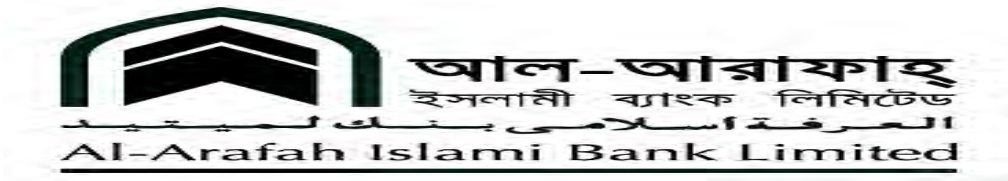


Figure: Types of Foreign Remittance in Al-Arafah Islami Bank Limited

Inward Foreign Remittance:

Inward Foreign Remittance gets inside of country from the outside through TT, FDD, MC, and TC with the multiple purpose such as wage earning remittance. When people send money for family purpose. .

Purpose of Inward Remittance:



- Family Management
- Realization of export proceeds.
- Indenting commission/Agency Commission/recurring agents commission.
- Donation/gift.
- Export brokers commission etc.

F.D.D. (Foreign Demand Draft): A F.D.D is a negotiable instrument issued by a Bank drawn on another Bank with the instruction to pay of certain amount to the beneficiary of demand.

T.T. (Telegraphic Transfer): T.T. is an order for payment of money sent by telex or Cable. Funds are paid to the beneficiary in the foreign center usually on the same day. No loss of interest or expenses on stamp duty etc.

M.T. (Mail Transfer): M.T. is a material issued by a remitting Bank to the paying Bank advising in writing to make payment of certain amount to specific beneficiary. This involves loss of interest to the purchaser and for this reason banks can afford to make M.T. rate cheaper than T.T. rate.

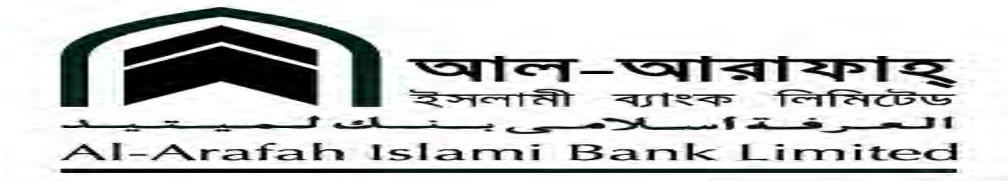
T.C. (Travelers Cheque): TC is used to meet people's expenses for overseas travels. It reduces the risk of carrying currency notes. These are drawn in freely convertible currency.

Outward remittance:

Outward remittance means, going out from our country that is called outward remittance.

Object of Outward remittance:

- Education Purpose.
- Import Purpose.
- Exam fees etc.



CHAPTER-04

4.0 “Overview on Day to Day Basis Foreign Trade Problems and Solutions There Of” :

FINDINGS:

Negative publicity against AIBL:

In the course of beginning of this year, a few newspaper publishers & electric mass media published a lot of inaccurate information against AIBL which often created dilemma between expatriates throughout sending remittance towards the banker. Even so, many of us preserved regular contract along with expatriates & well wishers and also the scenario features enhanced down the road.

Geographical Spot:

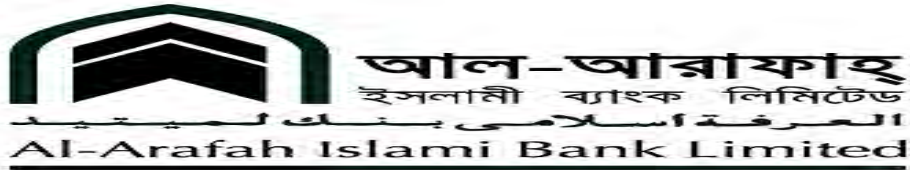
From our geographical view, Bangladesh seriously isn't based in their normal place for trading powerfully. We now have encompassed through India by several attributes. And also India likes a strong business starting when compared to people. As a result of financial system connected with level India can make a similar top quality items in a less costly price. Therefore it is a trouble in foreign trade operations

Limited Qualified Manpower:

Undertaking our foreign currency things to do is usually a very hard career as it requires suitable transmission with all the customer, a variety of banks in Bangladesh as well as abroad. An individual problem may price thousands of dollars. Within Bangladesh there are very limited skilled manpower, who is going to realize along with take care of our foreign currency negotiations effectively.

Excessive Foreign Exchange Rate:

As a result of constraint throughout funded purchase, importance small business of the bank has decreased throughout couple of months. As a result we need to offer large Foreign exchange received next to dangerous remittance in order to Inter bank Foreign exchange



market at a lower price. In the event we could implement these kinds of finance within our own importance prerequisite, we could present increased charges to change Properties and have more remittances.

Variable Foreign Exchange Market:

On account of frequent along throughout Foreign exchange market in the country, the particular remittance move may be damaged substantially. Altogether knowledgeable negative expansion connected with remittance before connected with Eid-ul-Fitr that's very abnormal inside the historical past connected with Bangladesh. At a selected Nationalized Business oriented Banks provided greater than two taka per USD to switch Residences as opposed to rate won throughout the foreign exchange market.

Postpone of entire Automation:

Because of lion automation of most remittance products and services & logistics supports throughout sonic branches, the purchaser products and services are yet not fulfilled the requirement of exchange houses. However we all want to improve the process connected with controlling remittance through ICID (International Center for Investment & Development).

Political Lack of stability:

Another significant problem in foreign Trade Business would be the politics instability of the nation, as the politics balance is important regarding smooth foreign trade operations.

Destructive Marketing By Some Banks:

A number of local private banks are vigorous as well as aggressive in advertising and marketing. By offering attractive rate on deposits as well as providing outstanding customer Services. Over the branch network & customer base of those banks usually are not therefore wide, still they will acquire media protection regarding remittance managing at the same time.

Very little Foreign trade knowing Person:

AIBL is really a greatest bank which deals an enormous variety of foreign exchange Company. In addition to day-to-day foreign trade is raising however proportionately Foreign trade knowing person do not increasing. As a result AIBL confronted difficulty to run their foreign trade business smoothly.

Fixing up Profit Issue:

Profit might be charged only one specific goods. As stated previously, oftentimes exporter cannot provide goods at a time, he has to impact partial shipment. Yet bank realizes percentage and prices at



the same time while opening L/C for the complete price of goods . Thread available the money necessary for the goods and connected income fixation seriously isn't performed in deal basis.

Insufficient Foreign Trade Treasury Product:

For Islami banking there is absolutely no treasury product on the market. Because of this they can not deal in foreign exchange treasury market under forward dealing in the foreign currency.

Relationship with Foreign Banks:

A different essential problem struggling with Islamic Banks In Bangladesh can be the way to organize their relationships along with foreign banks, and even more generally, the way to execute International devices, which might end up being together in keeping with the Islamic Principles as well as satisfactory on the awareness to the Interest based banks including the foreign banks.

Scarcity of Supportive and Link Institutions:

Any kind of process, on the other hand very well included it can be, can not thrive specifically with it is built-in components. It's got to be able to rely on quite a few website link institutions therefore may be the situation having Islamic Banking. Regarding figuring out suitable jobs, Islamic banking can certainly profitably draw the services connected with economists, legal professionals, insurance companies, Management consultants, and auditors and so on. They also need to have research and training forums so that they can selling entrepreneurship between their clients. This sort of services correctly focused toward Islamic banking tend to be but to be developed in Bangladesh.

Conflict between the Land Law and Shariah Law:

One of the great foreign trade problem of AIBL is conflict between Land Law and Islamic Shariah Law .Because Shariah Law is not available in our country, it is very much difficult to continue business according to Shariah Law.



Scarcity of Modern Communication Technology:

Because of the lack of modern communication technology, Al-Arafah Islami Bank Bangladesh Limited is facing enormous troubles in operating Foreign trade Business smoothly in our country like the other banks.

Complications within UCPDC Guidelines:

According to the Article – 4 (UCPDC), all events worried about L/C must cope with papers definitely not with products. This will likely cause trouble, since the bank have to have to make check following their presentations of necessary documents, set up products are usually delivered to the actual importer.

Absence of Islamic Money Current market:

On account of absence of Islamic Money market in Bangladesh, the Islamic banks can't spend their surplus fund i.e. temporary excess liquidity to help acquire almost any income since all of the Government Treasury bonds, accredited stock options and Bangladesh bank Bills in Bangladesh are generally awareness showing. Effortlessly, the Islamic Banks can't spend the permissible part of their Safety Liquidity Hold and liquid surplus in those stock options. Subsequently they will put in their whole book in money along with Bangladesh bank. Likewise, the liquid surplus in addition stays uninvited. The earnings on the Islamic Banks in Bangladesh is usually thus detrimentally influenced. Benefits regarding Islamic devices through Bangladesh bank is often a long demand on the Islamic Banks in Bangladesh which is yet to be executed.

Some other problem:

Whenever a importer involves to bank to help concern any L/C throughout their benefit, they have to help downpayment a payment, referred to as “L/C margin”. After acquiring on the export paperwork through the exporter the actual importer pays off the rest money. However up to these times this kind of L/C border money can be stored by the bank without offering any kind of go back to the actual importer, so it's a loss with the client. This individual could possibly devote this kind of dollars anywhere else and could earn a number of return. The importer gives this kind of loss together with his production cost. So the product selling price comes up which includes to help paid for by the best clients.



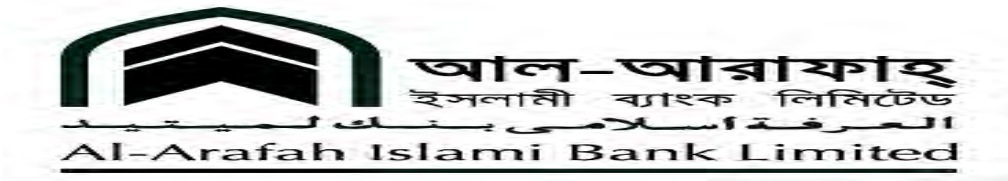
CHAPTER-05:

Recommendations:

To alleviating this faults & using this benefits, AIBL will take proper actions intended for deriving advantages out of most prospects & productively dealing with most matter associated with this foreign trade problems. With this crucial point, I want to offer several strategies or maybe suggestions to AIBL intended for improving Foreign Trade business Account with genera; that happen to be:

- To build up quality support in respect of rapid disposal both at Branch and also Head Office regarding Foreign Trade Operations.
- To build up automated support intended for international trade and for assisting this importer and also the Exporter.
- To be able to induce quality client and select best project for virtually risk free Worldwide Trade.
- To be able to bring in completely new Foreign trade items to regulate while using the global international trade.

- To research regarding the rules of Shariah matter in respect of completely new Foreign trade products.
- To check or survey of the local and also international market segments for that likely of importance and also export business.
- To meet up with different types of needs of the customers inside the changing pattern of the globe trade.
- To be able to combine and also strengthen this treasury and also account supervision at Head Office through automation.
- To help produce the lasting scan along with foreign trade insurance policy.
- To help reinforce, guidance along with supervising squared for RMG industry in promoting the unusual deal.
- To make certain guidance & Tech support team for bulk scan through Head Office.
- To offer competitive commission price.
- To maintain union along with Bangladesh Bank for AD license and other business policy
- To arrange training along with AD branch and Non-AD Branch Side Officers for developing the employees personal skill.



- To make certain comprehensive conformity of Bangladesh Bank's Guidelines.
- To raise the helps along with center towards exporters along with urges them to
- improve the foreign trade revenue.
- To help focus in on cracking of opening L/C of government along with semi-government businesses for risk-free functions.
- To help diversify the foreign trade operations
- L/C's for import of machinery should be made easier.
- All AD Branches should try to perform at satisfactory level.
- Discretionary ability for L/C and MPI should be same.

- To inspire regarding transferring connected with non-traditional things.
- To build up and also energetic the actual adequately the actual Management Information Systems regarding importance and also foreign trade organization.
- Data Bank connected with credit reports might be managed meticulously.
- To accumulate of importance and also foreign trade customers.

CHAPTER-06:

Conclusion:

Al-ArafahIslami Bank is a Leading Private Islami Bank in Bangladesh with excellent customer base which are very loyal, trustworthy for the bank.The service provided by the enthusiastic employees of the Al-ArafahIslami Bank is Satisfactory. As an Islami bank AIBL obey the rules of Bangladesh Bank despite the

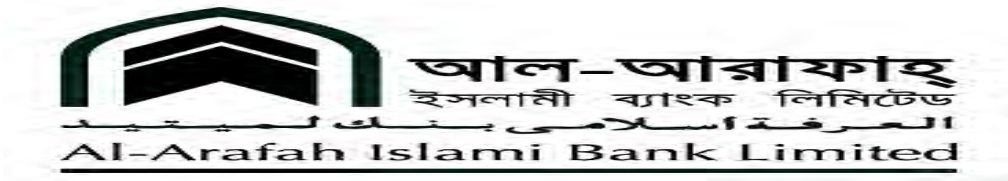
fact that these rules sometimes constraint the foreign trade department to be very dominating as well as very much effective.Foreign trade department helps to increase profitability of the Company.

Al-ArafahIslami Bank Limited is influential Islami Bank in the Islami Banking Sector.Al-ArafahIslami Bank has huge assets to meet up their liabilities and the management of this bank is decorated with the exper bankers and managers in every level of management.



Al-Arafah Islami Bank Drive towards market leadership as well as quality in selecting business will continue in the upcoming years. Although Intense Competition is increasing day by day by more banks and financial institutions. The bank is hopeful for the future that the volume of business will increase through national and market favourable policies. The bank is trying to generate new concepts about foreign trade business and thus taking steps to overcome all kinds of obstacles which may face during foreign trade activities. Al-Arafah Bank should adopt customer-prior policies to introduce the new techniques that will help them to increase their profit margin. And thus it will increase greater confidence for the current and potential customers.

It was a excellent advantage for me to have an interaction with a re-knowned Bank like Al-Arafah Islami Bank Bangladesh Limited as an Intern. Al-Arafah Islami bank (AIBL) offers the best islami banking services for their customers and it is the fastest growing islami bank in Bangladesh. By working VIP Road branch, The knowledge learned might be effective enough to develop myself in my future life and it will help me to adapt with Organizational environment.



CHAPTER-07:

References:

1. International Business Environments and Operations By Daniels, Radebaugh & Sullivan (12th Edition)
2. Al-Arafah Islami Bank Official website
3. Bangladesh Bank Website
4. Newspaper Publications
5. Export Information Bureau
6. Uniform Customs and Practice of Documentary Credit (UCPDC)
7. UCP 600 (Uniform Customs & Practice for Documentary Credits) issued by ICC (International Chamber of Commerce).
8. Import and Export Policy Of Bangladesh 2012-2015
9. en.wikipedia.org/wiki/Islamic_Banking