





**Internship report
On
“Foreign trade in Prime Bank Limited, International trade
in Bangladesh & Worldwide scenario”**

Prepared for
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Date of Submission: 02-06-2016

Letter of Authorization

June 02, 2016

Dr Sumal Paul Chowdhury
Assistant Professor
BRAC Business School
BRAC University

Mahmudur Rahman Polash
Internship, MBA Program
BRAC University

Subject: Letter of Authorization.

Dear Mahmudur Rahman, I, hereby, authorize you of Internship Work, to prepare a comprehensive report on the topic “Foreign trade in Prime Bank Limited, International trade in Bangladesh & Worldwide scenario”, using all that have been taught throughout your internship period. You are selected to present an integrated and coordinated your skills at applying theoretical and practical knowledge via this internship work.

Any inquiries are most welcomed.
Thank You.

Dr Sumal Paul Chowdhury

Letter of Transmittal

June 02, 2016

Dr Sumal Paul Chowdhury
Assistant Professor
BRAC Business School
BRAC University

Subject: Submission of internship report on “Foreign trade in Prime Bank Limited, International trade in Bangladesh & Worldwide scenario”.

Dear Sir,

With due respect & humble submission, I am submitting my internship report on “Foreign trade in Prime Bank Limited, International trade in Bangladesh & Worldwide scenario”. It gives me immense pleasure to inform you that I have completed the report under your kind-hearted direct supervision.

I shall be highly encouraged if you are kind enough to receive this report. I hope that this report will satisfy you, If you have any further enquiry concerning any additional information I would be very pleased to clarify that.

Sincerely yours,

.....

Mahmudur Rahman Polash

ID: 14164010

Acknowledgement

First of all, I would like to express my deep gratitude to all mighty Allah for his infinite grace that allowed me to complete this internship work. A lot of effort and study has been involved in this internship work.

I would like to express my sincere gratitude and cordial thanks to my instructor Dr Sumal Paul Chowdhury, Assistant Professor, BRAC University for his valuable advice and support regarding the writing of this report. I would also like to thank him for his kind concern, valuable time, advice and constant guideline throughout the internship period and making of the report.

This report really helps me to acquire knowledge about the foreign exchange department. This knowledge will help me in my future career. This report also helps me to work on a theoretical perspective field.

I would like to express my foremost gratitude to Mr. Farhad Ahmed Khan, Manager & SVP, Mr. Mahbub Alam, Manager Operations & VP and rest of the Prime Bank, Foreign Exchange Branch employee who helped me and gave me their valuable time, providing me with the most relevant information on the basis of which I have prepared this report. I am thankful to all of them for helping and guiding me and for being nice and kind to me.

My special thanks go to Mr. Kazi Nurul Islam, Officer and Ms. Rumana Ahmed, Executive Officer of foreign exchange department of the branch for supervising me in my time of internship and constant guidance.

And, finally again I would like to thank my honorable Sir who give me his valuable opinion regarding the report time to time. Without his advice I cannot be able to complete my report work.

Executive summary

This report aims toward providing an overview on Foreign Exchange department of Prime Bank Limited. The report is prepared within the broader framework of Internship Program of the MBA Program, BRAC University. I have chosen an important topic of banking system, the Foreign Exchange Operation and Worldwide scenario of International trading system. While preparing this report it has been tried to reveal the insights of the functions of Foreign Exchange Department. Simultaneously efforts have been made to provide an in depth knowledge about the Trade Finance mechanism and the overall activities of Foreign Exchange Department. And a few recommendations and suggestions were also prescribed based on the observation and findings.

While discussing the different aspects and functions of the bank, priority has been given to depict the real situation as far as appraisal and management system in Prime Bank Ltd. are concerned by employing the experience gathered during the internship program. At the same time for easier understanding of the report, an overview of prime bank, supporting topics and terms are explained in light of textbooks and regulatory guidelines. The objectives, vision, mission, management and overall performance of Prime Bank Limited are included in this report to state a clear understanding about the bank. Different sections of Foreign exchange department and the details of its functions are explained here. Simultaneously analysis on the foreign exchange and all of its elements has also been done. Utmost care has been given to explain all necessary aspects related to the subject matter for easier and quick understanding of the report.

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1.0 History of Prime Bank Limited





1.0 History of Prime Bank Limited

1.1 Background of Prime Bank Limited

In the backdrop of economic liberalization and financial sector reforms, a group of highly successful local entrepreneurs visualized an idea of introducing a commercial bank with different outlook. For them, it was competence, excellence and consistent delivery of reliable service with superior value products. Accordingly, Prime Bank was created and commencement of business started on 17th April 1995. As a fully licensed commercial bank, Prime Bank is being managed by a highly professional and dedicated team with long experience in banking. They constantly focus on understanding and anticipating customer needs. As the banking scenario undergoes changes so is the bank and it repositions itself in the changed market condition. Prime Bank has already made significant progress within a very short period of its existence. The bank has been graded as a top class bank in the country through internationally accepted CAMELS rating. The bank has already occupied an enviable position among its competitors after achieving success in all areas of business operation. Prime Bank offers all kinds of Commercial Corporate and Personal Banking services covering all segments of society within the framework of Banking Company Act and rules and regulations laid down by our central bank. Diversification of products and services include Corporate Banking, Retail Banking and Consumer Banking right from industry to agriculture, and real state to software. Prime Bank, since its beginning has attached more importance in technology integration. In order to retain competitive edge, investment in technology is always a top agenda and under constant focus. Keeping the network within a reasonable limit, its strategy is to serve the customers through capacity building across multi-delivery channels. PBL is better placed and poised to take its customers through fast changing times and enable them compete more effectively in the market.



1.2 Vision and Mission

“A Bank with a Difference” is the motto of Prime Bank Limited. So the motto itself is self-explanatory to deliver the vision of the bank. Prime Bank limited is prepared to meet the challenge of the 21st century well ahead of time. To cope with the challenge of the new millennium it hired experienced and well-reputed banker of the country from the inception. The bank has efficient and dedicated professionals and equipped with modern technology to provide the best service in the need of the people and thus to realize its vision.

Vision→ • To be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong liquidity.

Mission→ • To build Prime Bank Limited into an efficient, market-driven, customer focused institution with good corporate governance structure. • Continuous improvement of our business policies, procedure and efficiency through integration of technology at all levels.

Focus of Efforts→ • “on delivery of quality service in all areas of banking activities with the aim to add increased value to shareholders’ investment and offer highest possible benefits to our customers”

Strategic Priorities→ • “ To have sustained growth, broaden and improve range of products and services”



1.3 Product & Services

>	Retail Banking
>	Corporate Banking
>	Islamic Banking
>	SME Banking
>	NRB Banking
>	Offshore Banking
>	Treasury

1.4 Objective of the Bank

The objective of the Prime Bank Limited is specific and targeted to its vision and to position itself in the mindset of the people as ‘a bank with difference’. The objectives of the Prime Bank Limited are as follows:

- To mobilize the savings and channeling it out as a loan or advance as the company approve.
- To establish, maintain, carry on, transact and undertake all kinds of investment and financial business including underwriting, managing and distributing the issue of stocks, debentures, and other securities.
- To finance the international trade both in import and export. Retail Banking Corporate Banking Islamic Banking SME Banking NRB Banking Offshore Banking Treasury

- To carry on the foreign exchange business, including buying and selling of foreign currency, traveler's cheque issuing, international credit card issuance etc.
- To develop the standard of living of the limited income group by providing Consumer Credit.
- To finance the industry, trade and commerce in both the conventional way and by offering customer friendly credit service.
- To encourage the new entrepreneurs for investment and thus to develop the country's industry sector and contribute to the economic development

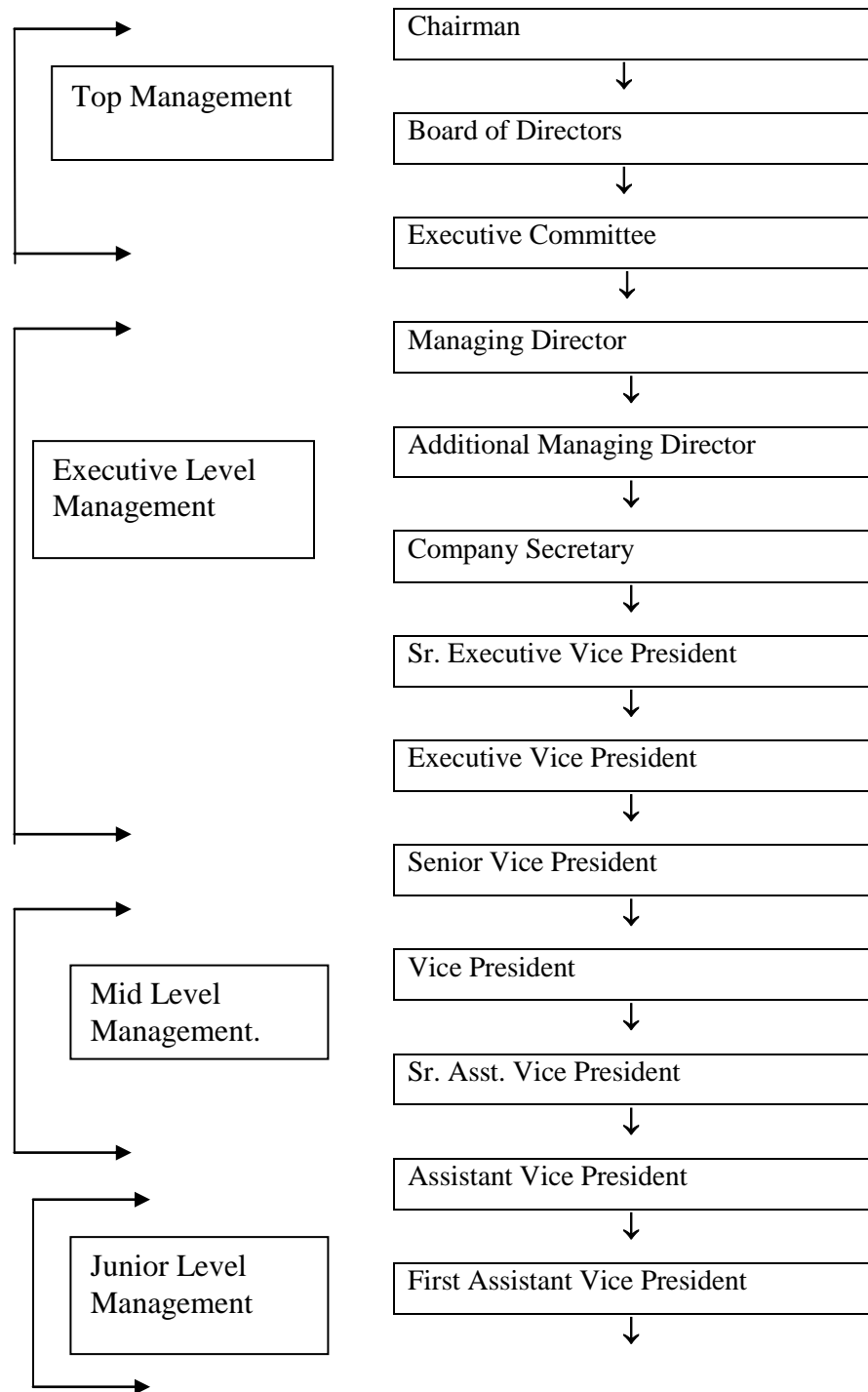
1.5 Management of the Bank

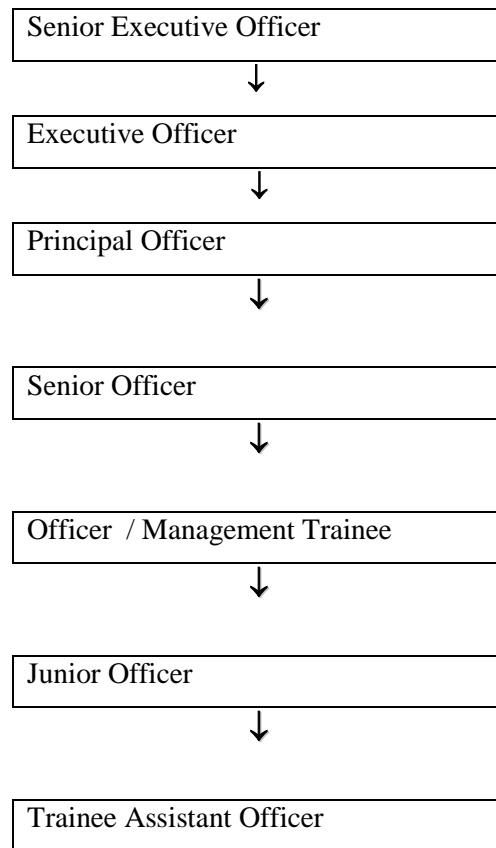
Boards of directors are the sole authority to take decision about the affairs of the business. Now there are 20 directors in the management of the bank. All the directors have good academic background and have huge experience in business. Mr Azam J Chowdhury is the chairman of the bank. The board of directors holds meetings on a regular basis.

♦ **Executive Committee:** The Executive Committee consists of the members of the Board of Directors. This committee exercises the power as delegated by the Board from time to time and approves all matters beyond the delegation of Management.

♦ **Management Committee:** The Management Committee consists of the Managing Directors and Head Office Executives. They discuss about the progress on portfolio functions. Different ideas and decisions, guidelines regarding deposits, lending and management of Human and Material resources are the main concern of this committee. All these committees meet on a regular basis for discussing various issues and proposals submitted for decisions.

1.6 Management Hierarchy of Prime Bank Limited





1.7 Functional Structure of Prime Bank Ltd:

Prime Bank Ltd. has the following functional departments in its head office.

Logistic & Support Services Division (L&SSD)

This Division was formerly known as General Services Division (GSD). Their main function relates to procurements and supply of all tangible goods and services to the Branches as well as Head office of Prime Bank Limited. This includes



- Every tangible functions of Branch opening such as making lease agreement, interior decoration etc.
- Print all security papers and Bank Stationeries.
- Distribution of these stationeries to the branch
- Purchase and distribute all kinds of bank's furniture and fixtures.
- Receives demand of cars, vehicles, telephones etc from branched and different divisions in head office and arrange, purchase and delivery of it to the concerned person / Branch.
- Install & maintain different facilities in the Branches.

Financial Administration Division (FAD)

Financials Administration Division mainly deals with the account side of the Bank. It deals with all the Head Office transactions with bank and its Branches and all there are controlled under the following heads:

- i. Income, Expenditure Posting: All income and expenditures are maintained and posted under these heads.
- ii. Cash Section: cash section generally handles cash expenditure for office operations and miscellaneous payments.
- iii. Bills sections: this section is responsible for inland bills only.
- iv. Salary & Wages of the Employee: Salary and wages of the Head Office executives, Officers and Employees are given in this department.
- v. Maintenance of Employee Provident Fund: Employee provident fund accounts are maintained here.

Consolidation of Branch's Accounts:

All branches periodically (especially monthly) send their income and expenditure i.e. profit and loss accounts and Head Office made the consolidation statement of income and expenditure of the bank. Here branch Statements are reviewed. This division also



prepares different monthly, quarterly, half yearly statements and submits to Bangladesh bank. It also analyzes and interprets financial statements for the management and Board of director.

Credit Division

The main function of this division is to maintain the Bank's credit portfolio. A well reputed and hard working group of executives & officers runs the functions of this division. Other major functions are the following:

- i. Receives proposals
- ii. Proposes and appraises.
- iii. Get approval
- iv. Communication and Sanction
- v. Monitoring and follow-up.
- vi. Set price for credit and ensure effectiveness of it.
- vii. Prepare various statements for onward submission to Bangladesh bank.

International Division

The objective of this division is to assist management to make international dealing decisions and after decision is made, guide Branches in their implementation. Its functional areas are as follows:

- i. Maintaining correspondence relationship.
 - ii. Monitoring foreign exchange rate and exchange dealings.
 - iii. Maintaining Nostro A/Cs and reconciliation.
 - iv. Authorizing of signing and test key.
 - v. Monitoring foreign exchange returns & statements.
 - vi. Sending updated exchange rates to concern branches.
-



Computer Division

Prime Bank operates and keeps records of its assets and liabilities in computers by using integrated software to maintain client Ledger and general Ledger. The main function of this division is to provide required Hardware and Software. The functions of this division are:

- i. Designing software to support the accounting operation.
- ii. Updating Software's, if there is any lagging.
- iii. Improvisation of software to get best possible output from them.
- iv. Hardware and Software troubleshooting.
- v. Maintain Connectivity in through LAN, Intranet & Internet.
- vi. Provide updated CD's of Online Accounts to the Branches
- vii. Routine Checkup of Computers of Different Branches.

Public Relations Division

It has to perform certain functions related to all types of communication. The broad routine functions can be enumerated as follows:

- i Receiving and Sanctioning of all advertisement application
- ii Keeping good relation with different newspaper offices
- iii Inviting concern ones for any occasion.
- iv Keeping good relation with different officers of electronic media.

Marketing Division

Marketing Division is involved in two types of Marketing.

Asset marketing: Marketing of assets refers to marketing of various kinds of loans and advances. In-order to perform this job, they often visits dome large organizations and attract then to borrow from the Bank to finance profitable ventures.



Liability Marketing: The process of Liability marketing is more or less same as Asset marketing. In this case different organizations having excess funds are solicited to deposit their excess fund to the Bank. If the amount of money to be deposited is large, the Banks sometimes offer a bit higher price than the prevailing market rate.

Human Resources Division

HRD performs all kind of administrative and personnel related matters. The broad functions of the division are as follows:

- i. Selecting & Recruitment of new Personnel.
- ii. Prepare all formalities regarding appointment and joining of the successful candidates.
- iii. Placement of Manpower.
- iv. Deal with the transfer, promotion and leave of the employees.
- v. Training & Development.
- vi. Termination and retrenchment of the employees.
- vii. Keeping records and personal file of every employee of the Bank.
- viii. Employee welfare fund running.
- ix. Arranges workshops & trainings for employee & executives.

Inspection & Audit Division

Inspection and Audit division works as internal audit division of the Company. The officers of this division randomly go to different Branches examine the necessary documents regarding each single account. If there is any discrepancy, they inform the authority concerned to take care of that/those discrepancies. They help the bank to comply with the rules and regulation imposed by the Bangladesh Bank. They inform the Bangladesh Bank about the Current position of the rules and regulation followed by the Bank.

Credit Card Division

Prime Bank obtained the principal membership of Master Card International in the month of May, 1999. A separate Division is assigned to look after this card. The Marketing Team of this division goes to the potential customers to sell the card. Currently Prime Bank Ltd. offers four types of card:

- (1) Local Silver Card.
- (2) International Silver Card
- (3) Local Gold Card
- (4) International Gold Card

Recently Prime Bank has obtained the membership of VISA credit Card and soon they will start marketing of it.

Merchant Banking and Investment Division

This division concentrates its operation in the area of under writing of initial public offer (IPO) and advance against shares. This division deals with the shares of the Company. They also look after the security Portfolio owned by the Bank. The Bank has a large amount of investment in shares and securities of different corporations as well as government treasury bills and prize bond. Merchant Banking and Investment Division Management will have to keep close coordination with other banks as well as the Bangladesh Bank to find out how to solve the problems related to Documentary Credit operations. Coordination with Bangladesh Bank is an absolute necessity as Documentary Credit related activities of all Authorized Dealer (AD) branches of all commercial banks are strictly regulated by Bangladesh Bank. Still banks have little to do to tackle the problems caused by the external factors. But banks can do something to minimize the problems caused by the internal factors. Necessary measures include automation, establishing remittance-drawing arrangements with foreign exchange houses and banks, regular performance appraisal and promotions depending on that will minimize mistakes by the employees to a great extent.



Trade service division

Prime Bank Limited had all along put strong emphasis in trade services related areas and enlarged its capacity building to handle growing business volume. It has also strengthened support functions so that the bank can be relatively an important player among the private sector banks in this area. Consequently, it has produced steady stream of revenues despite downturn in international trade. Function of this division are followed,

- Import Business
- Export Business
- Different Service related to foreign trade
 - ◆ Foreign Cheque, TT, Draft, Travel Cheque
 - ◆ Travel cheque endorsement
 - ◆ International bank guarantee
 - ◆ Remittance and Fund transfer

1.8 SWOT Analysis of Prime Bank Limited

Every organization is composed of some internal strengths and weaknesses and also has some external opportunities and threats in its whole life cycle. The following will briefly introduce Prime Bank's internal strengths and weaknesses, and external opportunities and threats as were observed in the three months of my internship program.

1.8.1 Strengths

- Favorable reputation because PBL is a very old commercial bank in banking sector
 - Top management has contributed heavily towards the growth and development
 - Strong financial position
 - Provides its customers excellent and consistent quality in every service.
 - Quality service with relatively lower price.
-



- Friendly interactive and informal working environment.
- Strong position in CAMEL rating

1.8.2 Weaknesses

- ◆ Pay structures have a big discrimination within officers and executives.
- ◆ The employees are burdened with extra workloads and works late hours.
- ◆ Pay order processing is not satisfactory.
- ◆ Incoming Mail processing is slow.
- ◆ Advertising and promotion is one of the weaknesses of PBL. It is not that efficient in marketing activities.
- ◆ Lots of inexpert and laggard assistant officers and existing manual vouchers.
- ◆ Entrance of new private banks
- ◆ Less ATM booths all over the country.

1.8.3 Opportunities

- ▶ Can recruit experienced, efficient and knowledgeable work force as it offers good working environment.
- ▶ The Bank has already introduced on line modern facilities to its customer
- ▶ Expand product line to meet broader range of customers,
- ▶ Can motivate the employees to work more efficiently by increasing the remuneration.


1.8.4 Threats

- Upcoming private local banks.
 - Comparatively high salary margin
 - Challenge of new entries.
 - Immerge of the multinational banks and their rapid expansion.
 - Rival banks easily copy the products offering of PBL. Therefore, the bank needs—
continuous product innovation to survive with competition.
-



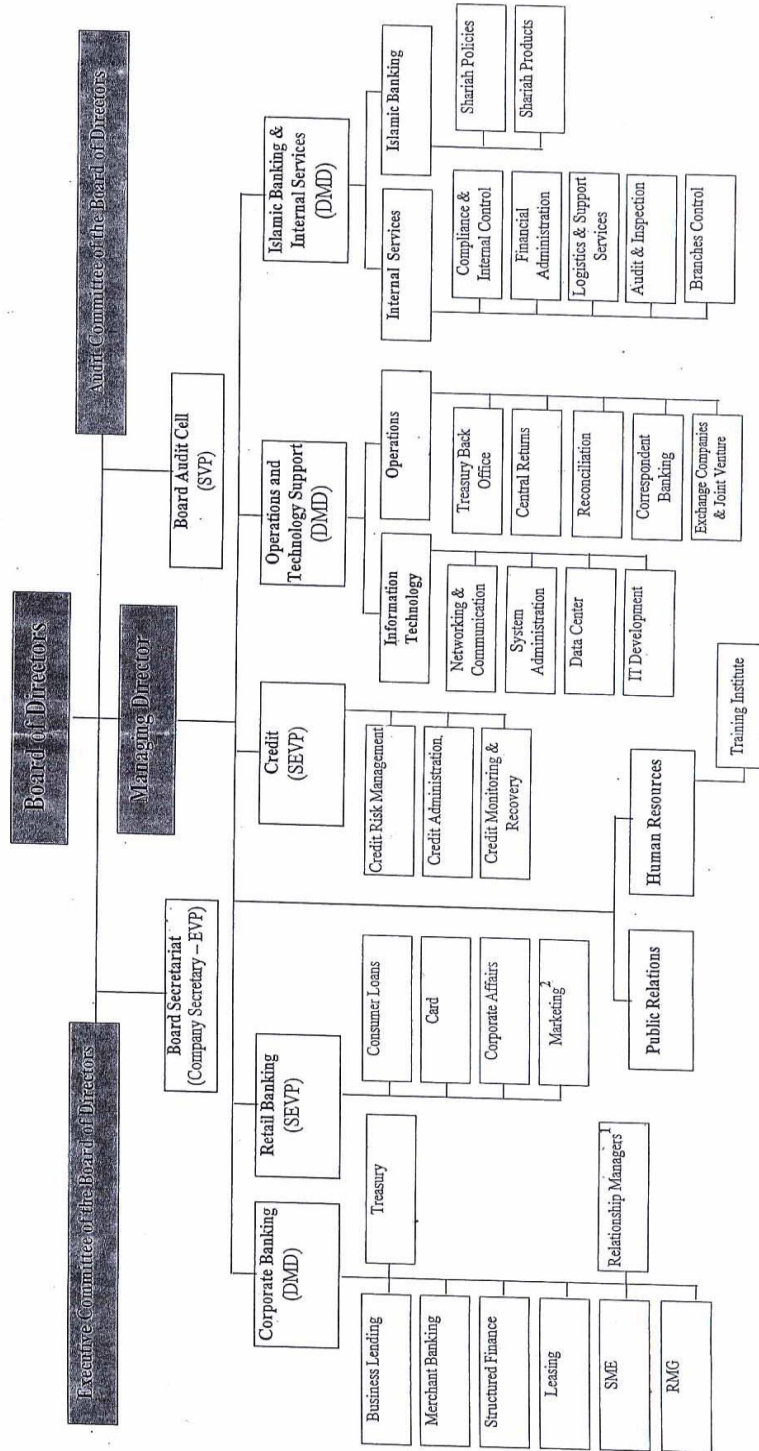
Prime Bank Limited
a bank with a difference

The Profile at a Glance

Name:	Prime Bank Limited
Date of Incorporation:	12th February, 1995
Date of Inauguration of Operation:	17th April, 1995
Registered Office:	Adamjee Court Annex Building-2 119-120, Motijheel C/A Dhaka-1000, Bangladesh.
Logo:	
Name of the Chairperson of the board:	Mr. Ajam J Chowdhury
Name of the Managing director:	Mr. Ahmed Kamal Khan Chowdhury
Number of Branches:	146
Number of Employee:	2620
Services Provided:	Deposit scheme, Loan, Foreign Trade, SME & Islami Banking
Diversification of products & services:	Corporate Banking, Retail Banking, Merchant Banking & Consumer Banking.
Paid up capital:	Tk. 1400 million
Publicly Traded Company:	Share quoted daily in DSE & CSE
Credit Card:	Member of Master Card
Banking Operation System:	Both Conventional and Islamic Banking System.
Technology Used:	Member of SWIFT, on line banking, UNIX based Computer System
Initial Public Offering:	
Market value per share:	13.90
E-mail:	info@primebank.com.bd
Web Site:	www.prime-bank.com
SWIFT:	PRBLBDDH



Bank's Corporate Organogram



2.0 My Internship report





2.0 My Internship report

2.1 Origin of the report

As a requirement for the fulfillment of my MBA program, in the faculty of business, BRAC University I have to perform three months internship. I applied in Prime Bank Limited and they offer me a three month internship.

During the internship program, students are required to prepare a report on the organization where they have been attached. Prime Bank Ltd. And all the officials always encourage and welcome the students for their internship program. I have tried my best to properly apply my potentiality and theoretical knowledge to make the report reliable and information worthy. My honest effort will be regarded as successful if this report fulfils the objectives of the program.

2.2 Objective of the study

The objectives of the study are as follows:

- **Foreign trade services in Prime Bank Limited**
How trade services operates in Prime Bank, its blessings and pitfalls.
- **To analyze the foreign trade finance mechanism and reporting systems of Prime Bank**
- **International trade activities in Bangladesh and rest of the world**
The international business or trade is totally different in comparison between Bangladesh and rest of the world. Why this is different and why our people accept it in this form.



2.3 Methodology of the study

While preparing the report, I have taken information from the following sources:

Primary sources

- i) Practical desk work
- ii) Face to face conversation with the officer
- iii) Direct observations
- iv) Face to face conversation with the client

Secondary sources

- i) Annual report of the PBL
- ii) Files and folders
- iii) Websites, Internet
- iv) Audit report
- v) Relevant books
- vi) Class notes

2.4 Background of the study

Banks are very old form of financial institution that channel excess funds from surplus unit to deficit unit in consideration of a price called Interest. Banking business definitely established on a relationship of Debtor-Creditor between the surplus unit called depositors and the bank and between the deficit unit called borrowers and the bank.

Economic development of a country requires a well organized, smooth, easy to reach and efficient saving-investment process. The banking sector of Bangladesh compared to its economic size is moderately bigger than many other economies of equal level of development and per capita income. There are 56 commercial banks operating in this small economy. Although over the last thirty years, the country achieved noticeable success regarding the access to banking services, in 1972 population per branch was 57,700 and in the year of 2015, it was 12,195 per branch. The statistics indicates that getting banking services is not a significant problem for the country. Being the central bank of the country, Bangladesh Bank is responsible to regulate, monitor and supervise all the banks operating in the country. This particular report provides an overview of trade finance mechanism and reporting system in Bangladesh in context of Prime Bank Ltd. So here I have worked on the Trade finance mechanism and the overall activities on Foreign Exchange Department of Prime Bank.

Trade finance is of vital importance to the global economy, with the World Trade Organization estimating that 80% to 90% of global trade is reliant on this method of financing (Investopedia, 2013). The central bank has to monitor the trade finance activities of the commercial banks to ensure that the regulations are maintained at international standards and also to control its foreign exchange currency reserve. There are a number of ways for the exporters and as well as importers to use trade finance for their business expansion and payment insurance, which are well prescribed by the International Trade Administration (2007) in its publication of “Trade Finance Guide: A Quick Reference for U.S. Exporters”. The commercial banks in our country follow the regulations given in “Foreign Exchange guideline vol 1” by Bangladesh Bank (2012). T.T. Sethi’s (2004) book “Money Banking and International Trade” illustrates how the international trade affects the foreign exchange rate and the foreign currency reserve. The work of The Foreign Exchange Committee (2004) in their widely cited publication “Guidelines for Foreign Exchange Trading Activities” focuses on the exploratory



research that the rapid growth in technology increases the uncertainty of trade finance and related activities. This particular report provides an overview of trade finance mechanism and reporting system in Bangladesh in context of Prime Bank Ltd. The objective is to find the most influencing factors that determine the acceptability of trade finance reporting system.

2.5 Limitations of the study

- It was not possible to cover adequate sample size for the survey even after visiting several Authorized Dealer (AD) branches of Prime Bank Ltd.
 - Limited accessibility and permission for revealing of some data due to confidentiality.
 - Less availability of concrete data regarding the trade finance reporting procedure.
 - Long times to collect the required data from survey as the respondents were busy.
 - The sampling method may have omitted many respondents from selection, who could have provided better feedback.
 - Inadequate time to prepare an expert level research report.
-

3.0 Internship at Prime Bank





3.0 Internship at Prime Bank

3.1 Foreign Exchange Branch

As per assigned by Prime Bank Human Resources Division, my internship was at Prime Bank Foreign Exchange Branch. I started my duty as an intern on 7th March 2016 and finished it on 7th June 2016.

Foreign Exchange branch is situated at Al-Haj Mansion, 82 Motijheel C/A. It is one of the oldest and busiest branches of PBL. There are 26 officers working in this branch. Mr Farhad Ahmed Khan is the Head of the branch & Senior Vice President, Mr Mahbub Alam is the Manager Operation & Vice president. There are General Banking, SME, Cash, Credit and Foreign Exchange division in this branch.

3.2 My duty as intern

I was assigned in Foreign Exchange division of the branch. Officer of this division take my assistance in some areas. Those are,

L/C opening ► I help customer in L/C opening, both Commercial and Industrial. Assist them to fill the LCAF form, Application cover letter, L/C application. I help import desk officer in other L/C related issues.

L/C advising ► After completing all the necessary paper work L/C documents must transferred to Trade Service Department for approval and other steps (Forced loan, banks commission, deposit margin etc), I assist in this process too.



Back to Back L/C ► Under back to back arrangements L/C is established to import by an exporter against their master L/C or original L/C received for exportation. Usually Importer give an instruction specifically about raw materials or ingredients to our Bangladeshi exporter and they follow those and import raw materials.

L/C amendment ► In case of amount or quantity of the L/C increased or decreased from original Performa Invoice, import desk officer send an amendment advising letter to the Trade Service Department for taking necessary steps.

L/C lodgment ► When the goods are arrived in port importer submit papers for releasing his goods and bank provide those goods. This process is called L/C lodgment. Usually bank provides 1 copy of L/C, 1 Copy of Performa Invoice, 1 copy of insurance cover letter and 1 copy of LCAF form and in case of amendment gave 1 copy of amendment.

IDBP advising ► Inland Documentary Bill Purchase (IDBP) is one kind of local bill in export process. Usually banks buy back these bills and give 90% (usually) to the exporter in sight. When the actual payment is happen bank take 100% of the bill and in meantime bank invest it. Export desk officer send an advising letter to the Trade service department of the bank for this procedure.

Maintaining dispatch register ► All kind of bills, bank certificates, bank guarantees are registered in dispatch register. Both inward and outward register is maintained by the bank. I was updating those registers.

Exp, IMP, TM issuing ► In case of Export, officers update Exp in Bangladesh Bank websites as well as Prime Banks own database. In case of Import they also update it. In remittance and foreign currency endorsement they also update TM in Bangladesh Bank websites. I assist them in these cases.



Hajj registration ► from this year all the country must register their Hajj pilgrims through online registration process. Bangladesh Government issued couple of banks to this process and payment procedure. Foreign exchange branch is one of these and I assist the officer assigned for this.

3.3 Functions of foreign exchange department in Prime Bank

Foreign exchange department performs many functions to facilitate the foreign exchange transactions. These functions are:

- Facilitating import trade

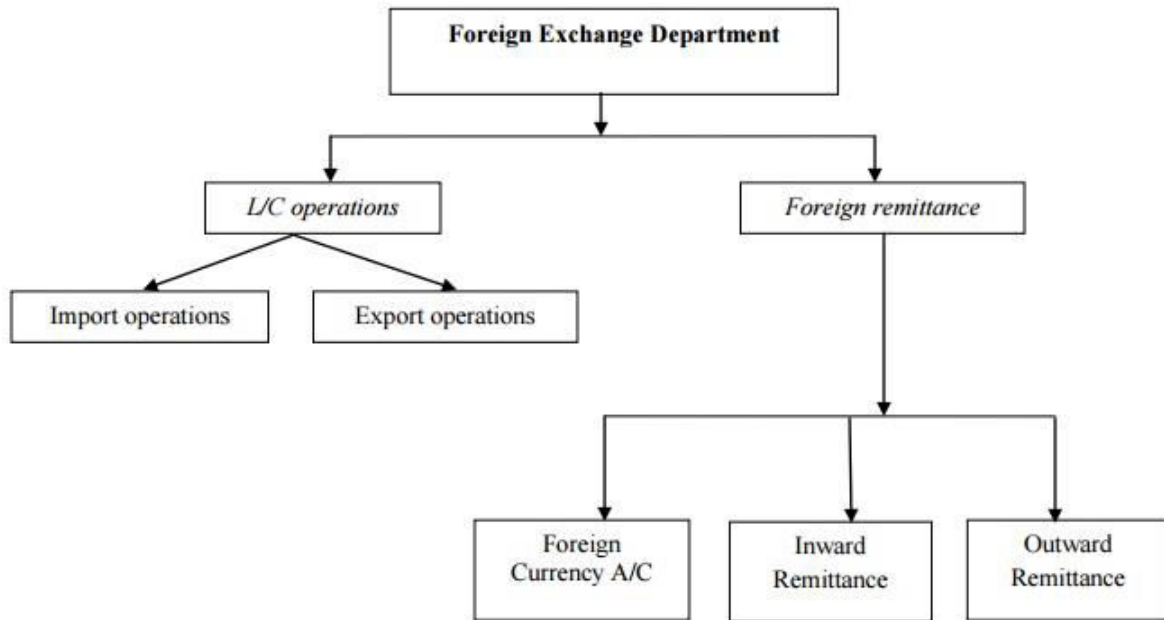
- Facilitating export trade

- Provide funded and non-funded credit facility

- Maintaining foreign currency accounts

- Selling of foreign currency bonds

The foreign exchange department consists of mainly two sections- L/C operations and foreign remittance, which perform all the functions mentioned above. The foreign exchange department structure of Prime Bank Ltd. is shown in the following tree:



3.4 Statistics of L/C in Prime Bank foreign exchange branch

In general there are two types of L/C, Import and Export. By payment we can classify L/C as sight payment or deferred payment. In Bangladesh, Banks usually issue 14 types of L/C in total.

Import L/C's are,

- Cash L/C (Sight payment)
- Cash L/C (Deferred payment)
- Import from EPZ (Cash L/C & Deferred payment)
- Others (L/C) (Foreign) & (Local)

Export L/C's are

- Inland back to back L/C (sight payment) EDF local
- Inland back to back L/C (Deferred payment)
- Foreign back to back L/C (Sight payment) EDF foreign
- Foreign back to back L/C (Deferred payment)
- Import from EPZ (back to back L/C & sight payment)
- Import from EPZ (back to back L/C & deferred payment)

There are also,

- Foreign Contracts (Document against acceptance)
- Foreign Contracts (Document against payment)
- Local Contracts (Document against acceptance)
- Local Contracts (Document against payment)

In Prime Bank foreign exchange branch issue all kind of export and import L/C's. But major numbers of L/C's are, Foreign Back to Back L/C (Deferred payment) in Export and Cash L/C sight payment in Import.

Table bellow shows the number of L/C opened in this branch in year 2013 to 2015 and amount of US dollar transaction in this Trades.

Subject		2013		2014		2015	
L/C code	L/C issued	No of L/C	Amount in USD	No of L/C	Amount in USD	NO of L/C	Amount in USD



01	Cash L/C (Sight)	350	15,099,899.85	297	9,649,168.29	281	8,940,355.88
02	Cash L/C (Deferred)	19	8,762,099.12	31	3,967,322.03	82	13,575,001.78
03	B/B L/C (Sight) EDF local	33	1,898,377.50	58	3,058,400.55	84	6,905,815.25
04	B/B L/C (Deferred)	731	17,516,059.85	752	18,380,751.97	800	19,628,860.59
05	B/B L/C (Sight) EDF foreign	4	166,448.10	25	5,399,742.79	54	9,456,063.02
06	B/B L/C (Deferred)	57	3,014,371.31	90	4,579,845.01	88	3,389,460.62
10	Import from EPZ (Cash & Deferred)	-	-	4	400,550.00	12	937,316.19
12	Import from EPZ (B/B L/C Deferred)	98	1,385,479.00	81	1,742,007.48	68	781,022.74
99	Others (L/C) Local	72	5,173,386.08	44	2,392,890.10	68	4,033,678.40
Total L/C		1364	53,016,120.81	1382	49,570,678.22	1537	67,647,574.47



3.5 Export L/C process in Prime Bank

Common Documents under L/C for export purposes,

Bill of exchange

- The draft must bear the correct Documentary reference number.
- The draft must be valid until expiry of the L/C and within the stipulated period for negotiation.
- It must be drawn or endorsed to the order of the bank.
- It is drawn by the party indicated as the beneficiary of the credit.
- It is drawn on the party indicated as the draw of the credit.
- It is market as drawn under the proper L/C of the bank quoting the L/C number.
- The tenor is in conformity with that stipulated in the L/C.
- The amount is identical with the amount mentioned in terms of the credit.

Bill of Lading (B/L)

- The full set of B/L is submitted including original copy.
- It is marked “Shipped on Board”
- It is drawn in favor of the bank endorsed to the order off the bank and dated after issuance of the L/C
- The B/L is clean • If the terms of sale are C& F, B/L is to be marked “Freight Prepaid”.
- Short form B/L is not acceptable
- Charter party B/L is not allowed unless specified in the L/C
- B/L is not stale
- Other (if any) as per L/C terms.

Commercial invoice

- The invoice is signed by the exporter / beneficiary
 - The required numbers of copies of the invoice are placed as per L/C terms.
-



- Description of the goods with measurement / weight is mentioned in full.
- The value and price of the goods to be tallied with L/C terms
- The L/C number, name of the ship with shipping mark, shipments date L.C.A.F/ license numbers of the importer, indent number etc. are to be quoted in the invoice properly.
- The quality and quantity of the goods as mentioned in the invoice must agree with that of L/C terms.
- The name of the importer and the L/C issuing bank is mentioned in the invoice.

Certificate of origin

- The certificate of origin may be issued by the chamber of commerce & Industry of exporter's locality or by the supplier as stipulated in the L/C.
- The goods must be originated from the country as per indication included in the L/C.

Inspection Certificate

- The certificate must comply with the inspection requirements of the Documentary Credit.
- It contains no detrimental statement as to the goods, specifications, quality, packing etc. unless authorized by the documentary credit.

Packing List

- A detailed packing list requires a listing of the contents of each package, carton, etc. and other relevant information. It corresponds with the requirements of the Documentary Credit.

Insurance Document

- It is the policy/ certificate/declaration under cover note, as required by the Documentary Credit.
-



- It covers the specified risks as stated in the Documentary Credit and that the risks are clearly defined.

3.5 Import L/C process in Prime Bank

Common Documents under L/C for import purposes,

IRC

- ▶ Verification of IRC
- ▶ Types of IRC i.e. Commercial or Industrial.
- ▶ Status of Industrial IRC i.e. Regular or Adhoc.
- ▶ Renewal of IRC mentioning in IRC or Pass Book & mention the Chalan no. in the IRC/Pass Book.
- ▶ Limit & imported position of IRC.
- ▶ Requirement of IRC to import capital machinery for new project, import for personal uses (approved by BOI), import for EPZ client, import for public sector.
- ▶ Name of the lien Bank in the IRC.
- ▶ NOC of the previous lien Bank.
- ▶ Maintain the Chalan for IRC renewal copy.

Trade license

- ▶ Trade License from the Municipal or Local Authority

Membership certificate

- ▶ Membership certificate from local chamber of commerce of related association (valid).



Income tax

- ▶ Income tax clearance
- ▶ Declaration in case of new comer.

VAT registration

- ▶ VAT registration certificate.

If a private sector importer fulfils above requirements, banker can process an L/C for import of goods & services from abroad but following papers/documents are to be obtained before opening of LC in addition it the above mentioned papers/documents:

1. L/C application.
2. Indent / Performa invoice / purchase order / contract / agreement.
3. Charge documents duly & properly executed.
4. Letter of Credit Authorization Form (LCAF) duly sealed & signed.
5. Insurance cover note.

The importer must be a customer of the L/C issuing bank / branch & the L/C may be opened after sanction by the competent authority.

4.0 International Trade: In Bangladesh and Worldwide scenario





4.0 International Trade: In Bangladesh and Worldwide scenario

4.1 International trade

International trade is the exchange of capital, goods, and services across international borders or territories, which could involve the activities of the government and individual. In most countries, such trade represents a significant share of gross domestic product (GDP). In lot of cases these trades are very much connected with banks due to the reliability and trust issues.

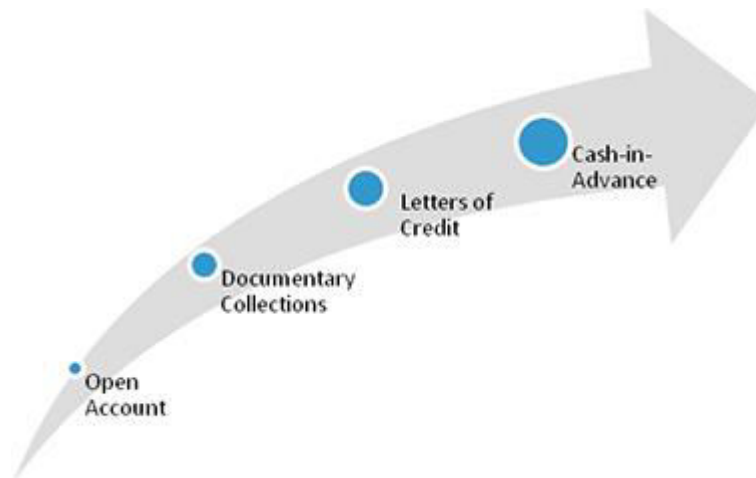
International trade activities are increase day by day. This trend specification to increase globalization of the world economics. Although bank also finance domestic trade, but their roles in international trade and payment system is more critical and complicated. For the international trade exporter have doubt importers ability to payment. Importers wants to buy product on credit and importer do not trust before the receiving quality full goods as per their contract.

Otherwise exporter does ship the goods, they face lot of trade barriers must follow international transport law. International business transaction especially in developing country we need to convert one currency to another currency so we face also foreign exchange risk. This problem solve by trade transaction.

4.2 Theoretical Aspects:

- To succeed in today's global market place and win sales against international trade face some risk. This called uncertainty over the timing of payment between exporter and importer.
- For exporter, any sale is gift until payment is received.

- Therefore, exporters want to receive payment as soon as possible. Prepare documents as soon as possible.
- For importers, any payment is a donation until the goods are received.
- Therefore, importer received goods as soon as possible but to delay payment as long as possible.

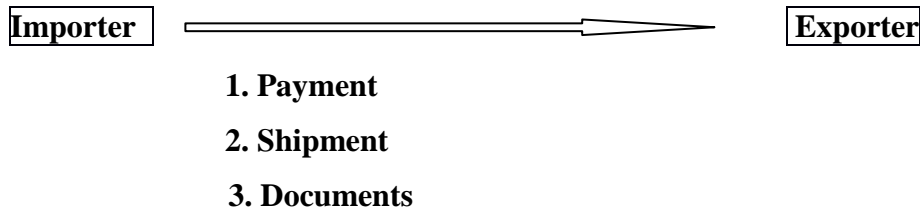


4.3 Cash in advance

Cash in advance means payment is advance that is shipment is made after receiving payment. For international sales, wire transfers and credit cards are the most commonly used cash-in-advance options available to exporters. It is least attractive option for buyer and attractive option for seller. Foreign buyers are also concerned that the goods may not be sent if payment is made in advance. So it is least popular for international business.



Process of cash in advance:



When importer purchase any product first payment. After receiving payment exporter send goods. Finally, Exporter prepares documents for the importer.

Feature:

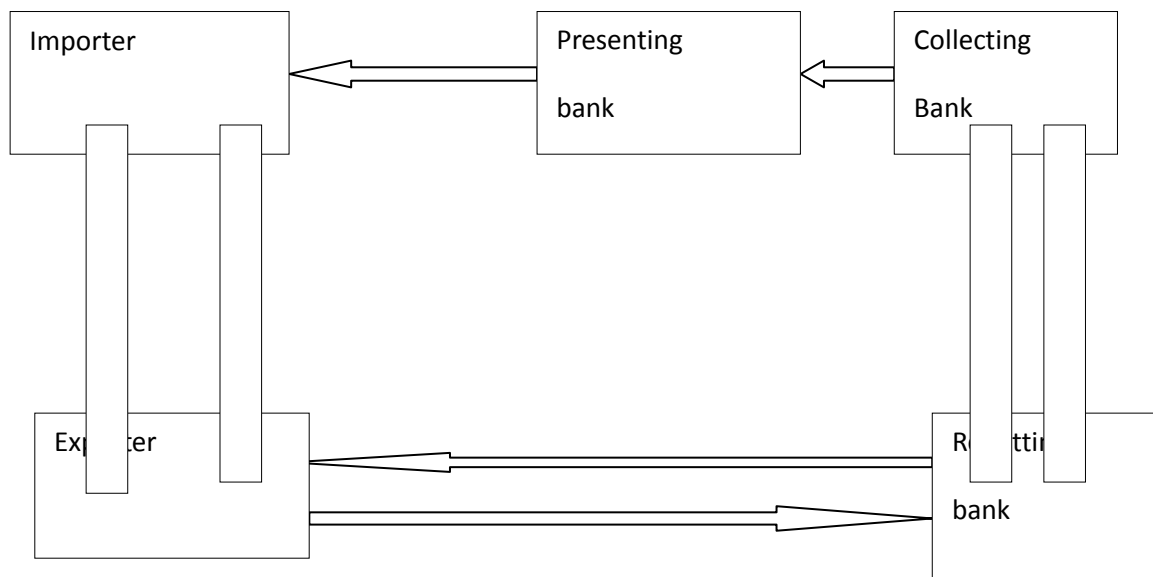
- Interest of exporter is protected.
- Interest of importer is not protected.
- Involvement of bank is insignificant.
- Shipment is made by Transport Company and documents send by mail.
- It is guide by purchase and sells agreement.
- It is least popular method in the world.

4.4 Documentary collection

Documentary collection means collection of payment by a bank on behalf of exporter from importer against documents. Funds are received from the importer and remitted to the exporter through the banks involved in the collection in exchange for those documents. Documentary collection involves using a draft that requires the importer to pay the face amount either at sight. The collection letter gives instructions that specify the documents required for the transfer of title to the goods. Documentary collection has no

verification process and limited resources. It is less expensive than documentary credit (L/C).

Process of documentary Collection: Used URC-522



There are two methods of documentary collection:

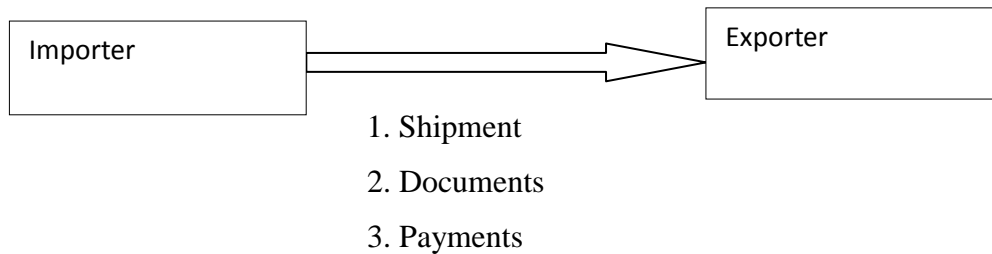
- ✓ Documents Against Payment (D/P)
- ✓ Documents Against Acceptance (D/A)

4.5 Open Account

Open Account is the opposite of cash in advanced. An open account transaction is a sale where the goods are shipped and delivered before payment is due, which in international sales is typically in 30, 60 or 90 days. It is least attractive option for seller and attractive option for buyer. Seller are also concerned that the payment because before receiving

payment they send goods. When offering open account terms, the exporter can seek extra protection using export credit insurance.

Process of Open Account:



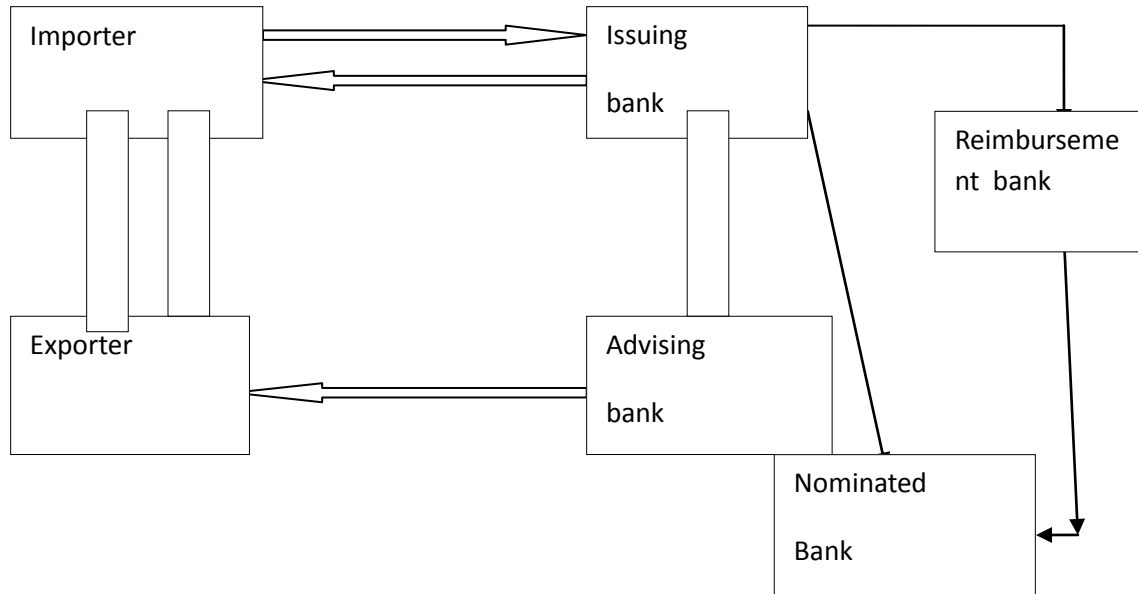
Feature:

- Interest of the exporter is not protected.
- Interest of the importer is protected.
- Involvement of bank is insignificant.
- It is guide by purchase and sell agreement.
- It is most popular trade payment method in the world.

4.6 Documentary credit (L/C)

Documentary credit is a commitment or undertaking of a bank on be half of importer to the exporter about the payment of certain amount subject to the fulfillment of documentary condition. Letters of credit (L/C) are one of the most secure instruments available to international traders. The buyer establishes credit and pays his or her bank to render this service. LC is useful when reliable credit information about a foreign buyer is difficult to obtain, but the exporter is satisfied with the creditworthiness of the buyer's foreign bank. An LC also protects the buyer since no payment.

L/C Process:



Step 01:

Importer who are called Applicants play a key role in Letter of credit from start to end, Firstly, importer Purchase sell agreement with exporter. Then exporter wants to L/C. To guarantee payment. According to UCP 600 Importer called as Applicant & Exporter called as beneficiary.

Step 02:

Applicant will approach to a bank to issue L/C. The bank is called Issuing Bank. There will be an agreement held between the Applicant and Issuing Bank. The agreement is called Financial Agreement. This agreement is about the Margin Requirement for financing.

Step 03:

After the issuance of L/C it is sent to the beneficiary either directly or using the service of another Bank, Called as Advising Bank. The advising bank is issued by Issuing Bank. Advising bank check the documents properly and check the authenticity of credit. The forward to document exporter.

Step 04:

After receiving the L/C Documents beneficiary will go for the shipment of goods. After the shipment of goods beneficiary have to prepare the documents as per complying presentation. Exporter present documents send issuing bank directly or use another service of bank called Nominated Bank.

Step 05:

Nominated bank is another counter of issuing bank but choice of exporter. After receiving the documents from exporter nominated bank is supposed to examine the documents following a broad standard called Complying Presentation (UCP 600- Article 14) If the documents are in order then the fund are transferred to the exporter either in the name of honor or negotiation.(Article 12) Once the nominated bank is negotiating it is called negotiating bank.

Step 06:

If the negotiating bank and issuing bank has account relationship then there would be direct reimbursement. If not then there is a process of making reimbursement using the service of another bank called Reimbursing bank. And the process is called bank to bank reimbursement arrangement. The process is guided by URR 725.



Comparison

Particulars	Cash advance	Letter of credit	Documentary collection	Open account
Time of payment	Before shipment	When shipment is made	On presentation of draft	As agreed upon
Goods available to buyer	After shipment	After payment	After payment	Before payment
Risk to exporter	None	Very little-None	Disposal of unpaid goods	relies on buyer to agree upon
Risk to Importer	Relies on exporter to ship goods as order	Assured shipment but relies on exporter to ship goods as described in the documents	relies on exporter to ship goods as described in the documents	None



4.7 L/C Operation in Bangladesh

Letter of Credit (L/C) or the Documentary Letter of Credit is the most popular international trade payment method in Bangladesh. Almost 88% business trade are occurring by L/c. Bangladesh basically import oriented country and earn huge amount of many RMG sector so L/C is very much needed for the trade payment.

The following documents are required to be submitted to the licensing authority for registration as importers.

- Questionnaire form duly filled in and signed
- Income tax registration certificate
- Trade License from the Municipal or Local Authority
- Bank certificate
- Nationality certificate
- Partnership Deed where applicable
- Certificate of Registration with the Register of Joint Stock Companies and Memorandum and Articles of Association in case of Private and Public Limited co.
- Certificate from the Chamber of Commerce / registered Trade Association
- Ownership documents or rent receipts of the place of business
- Any other documents required under the relevant import policy

Comparison between Bangladesh & Rest of the world in trade payments

	Cash in advanced	Letter of credit (L/C)	Documentary collection	Open Account
Bangladesh uses	2%	88%	9%	1%
Rest of country uses	1%	10%	9%	80%

Limitation of L/C

There are some disadvantages of L/C and that's why rest of the world doesn't use it frequently as a method of payment.

- Banks deal with documents.
- L/C is costlier trade payment method on trader's point of view.
- Some times difficult to terminate or cancel
- Complex format
- Too many paperwork to do

Bangladesh uses it because Bangladesh Bank guideline, in Bangladesh foreign exchange is controlled by government through Central bank (Bangladesh Bank). In early 70s we

use other method for international trade but it creates some other problems of fraud, money laundering, false documentation etc. So Bangladesh Bank only allowed documentary credit or L/C as a method of payment in international trade. “Foreign exchange regulation act, 1947” stated “This particular act empowered Bangladesh Bank to regulate/control all kinds of international Banking activity in the country”. By these guidelines exporter or importer must open L/C through a bank for trade. Which is safe, reliable and trustworthy in Bangladesh.

5.0 Recommendations & Conclusions





5.0 Recommendations

5.1 Recommendations

On the basis of the findings from the observation and research, there are some recommendations that can be used for fruitful purposes.

For Prime Bank Limited

- ▶ The Bank is still using lots of registers to record foreign exchange transactions. This is really time consuming and has possibility of occurring errors. Moreover, space is limited for hard paper documents. Therefore, the bank should come under complete computerization as soon as possible.
- ▶ The Bank should go for complete centralized trade service; it'll give both the customer and TSD desk officer to work faster and without making delay.
- ▶ The Bank should hire specialized people for the post of Relationship officer or Business Development officer which will provide much better service for corporate customer.
- ▶ The Bank need to spend more money on CSR activity and should go for better appearance, inside decoration. Compare to the other bank Prime Bank is far behind on this.

For Bangladesh Bank

- ▶ Bangladesh Bank should take user feedback into account while developing the online monitoring system.
 - ▶ Bangladesh Bank must find a way to make online reporting procedure better, shorter and linked in order to lessen time consumption.
 - ▶ Bangladesh should set up a quick system support and feedback program to avoid the necessity of frequent training sessions.
-

5.2 Conclusions

Import trade in Bangladesh is essentially bank financed business operations. This type of bank financing is extended to the import firms through the instrument of letter of credit, which reduces the foreign suppliers' business risk because of the financial guarantee of the importers bank for paying import duties on fulfillment of certain conditions as laid down in the letter of credit. Although banks have different forms of import financing programs, many small and financially unsound import firms cannot reap the benefits of such credit programs. The efficiency and timely conduct of import operations in Bangladesh depend largely on the availability of import financing on easy terms and conditions. Since Bangladesh has to rely heavily on import trade for meeting her deficiency in essential food items, various types of raw materials, machineries and accessories for industrialization and other logistic items for developing infrastructure, the issue of import financing should receive maximum attention of the national policy makers in the banking sector.

On the other hand Bangladeshi exporter import almost 70-80% of their raw material from outside the country. In RMG sector it is 80%. So majority of Bangladeshi foreign trade depends on import and import policy. If the present impediments in the flow of import financing can be overcome, the cherished goal of Bangladesh for achieving more than 7 percent growth rate in GDP may hopefully be materialized through the joint efforts of public and private sectors.



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