



**INTERNSHIP REPORT**  
**ON**  
**“CENTRAL TRADE OPERATION PRACTICE: A REPORT ON**  
**MEGHNA BANK LIMITED”**

**Submitted To**

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**DATE OF SUBMISSION: 2<sup>nd</sup> MAY, 2017**

**LETTER OF TRANSMITTAL**

Feihan Ahsan

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**Subject: Submission of the Internship Report**

Dear Sir,

It is a great pleasure for me to submit the internship report as a part of my BBA program to you that I am assigned to prepare under your direct supervision of the topic “ Central Trade Operation Practice: A Report on Meghna Bank Limited”. I am fortunate enough that I have got an experience and efficient professional team in Meghna Bank Limited . I have got an opportunity to work with them at the Central Trade Operation Division to learn their “activities and services that they provide to the customer” effectively.

I tried my best to show my skill, which is achieved in 3 months, practical experience of this report. Finally I would like to assure that I will remain standby for any clarification and explanation when required.

Thank you in advance for your kind assistance. I enjoyed working on the report and hope you will consider all my mistakes generously.

Sincerely Yours,

.....

Sadia Zaman

ID. No: 12204070

BRAC Business School

## ACKNOWLEDGEMENT

My acknowledgement begins with thanking my academic supervisor Mr Feihan Ahsan, who has provided me suggestions for making this Final Internship Report and also provided me with format for making and preparing the whole report. I like to thank sir for his generous cooperation and regular supervision that made me really confident about the desired outcome of my internship project.

I would like to show my warm hearted gratitude to the Central Trade Operation Division which has provided me with great deal of information, adequate data and finally cooperated me for the accomplishment of the report successfully. I would like to thank each employees of the Department. I am especially grateful to **Chowdhury Mohammed Muhaimen Kabir** ( Principal Officer, CTOD) for his invaluable support and direction that lead me to the successful completion of my internship report. I have done my whole internship period under him and really grateful to him for a big time for helping me in my each and every step of work at office. I also had other mentors who also helped me in my learning process. They are as mentioned: **Mr Hasanat Mahamud** ( In-charge & Senior Assistant Vice President, CTOD), **Mr Dipan Hasnat** ( First Assistant Vice President, CTOD), **Ronald Sony Gomes** ( Senior Officer, CTOD), **Sharmin Jahan** ( Senior Principal Officer, CTOD) and **Tripty Barua** (Senior Principal Officer, CTOD).

Without them it would not be possible for me to complete this difficult task. I got all necessary guidelines, cooperation and advice from them to complete this complicated task.

I am very much thankful to Meghna Bank Limited, its management specially the employees of the entire Department for their cordial support to prepare this difficult study with important information and data.

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## **EXECUTIVE SUMMARY**

I have prepared this report based on my three-month practical experience at Meghna Bank Limited. This internship program helped me to learn about the practical scenario of the banking sector. A fourth generation Bank, Meghna Bank Limited commenced its operation from May 09, 2013 .This report has been presented based on my observation and experience gathered from the bank. The bank has many divisions and departments but the focus is given more on the Central Trade Operation Department of this bank.

This report mentions about the overall opening and processing procedures of the import and export Letter of Credits. I have made a in-depth analysis of the opening and processing procedures of all the foreign and local Letter of Credits. Mainly, I worked with all the foreign letter of credits and its processing. In addition to that I have considered following analysis: the opening and processing procedures of the local letter of credits and the processing of the foreign document bill for collection and the foreign documents for bill purchases. However, I have done the analysis based on the information collected from the practical desk work and articles and brochures provided by the Bangladesh Bank. Finally I tried to give some recommendations for Meghna Bank Limited.

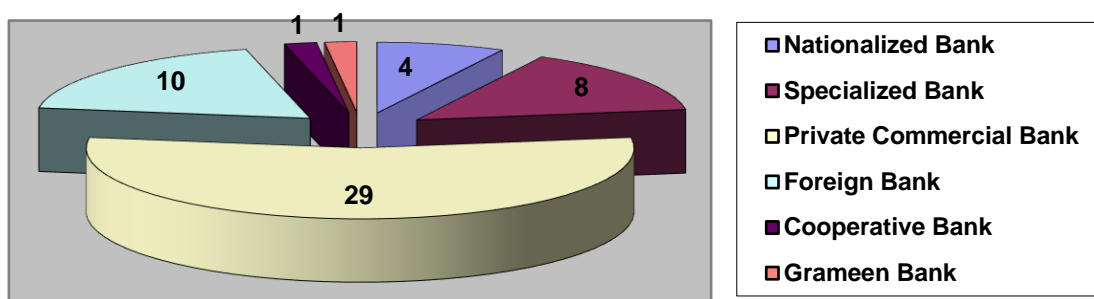
## 1. THE ORGANIZATION

### 1.1 INTRODUCTION

Financial institutes play an important role for the economic development of any country. The objective of these institutions is to accumulate the scattered deposit and invest it in a productive manner for economic emancipation.

There are 51 schedule banks (October 2007) operate in Bangladesh. Of them, there are, 4 nationalized commercial banks, 8 specialized banks, 29 private commercial banks and 10 foreign banks, 1 co-operative bank, 1 Grameen Bank .The number of branches of those banks is 6242. Of which 2511 (40.2% of total) are in urban areas and rest 3731 (59.8% of total) are in rural areas.

Number of Banks



For proper monitoring the operations of banks, Bangladesh Bank introduced “Problem Bank Monitoring Division” in addition to CAMEL rating. To increase the economic activities Bangladesh bank reduces the bank rate to 5% from 6%.

To increase customer services banks are using various modern techniques like on line banking, ATM, Money Gram, and Credit Card etc.

## 1.2 HISTORY

A fourth generation Bank, Meghna Bank Limited commenced its operation from May 09, 2013 with a vision of “To be recognized as an essential institution for the unbanked through zealous participation in the financial inclusion process.” Meghna Bank’s Pay-Off line “ Together We Sail” exemplifies our commitment to contribute towards building up an enlightened and prosperous nation. (MEGHNA BANK LIMITED, 2017)

### **OBJECTIVE:**

To be among the best service provider in the industry by ensuring customer satisfaction through application of technology, professionalism and nursing. (MEGHNA BANK LIMITED, 2017)

### **COMMITMENT:**

- To be recognized as the ‘ Best Quality Bank in Bangladesh.’
- To provide a superior and consistent banking services to all the customers.
- To be a long term partner with all the stakeholders particularly customers by creating & sharing values.
- To be a solid and trusted financial trust mark. (MEGHNA BANK LIMITED, 2017)

Meghna Bank Limited is providing its services and executing its commitment towards their customers through the respective locations:

- Head Office, Gulshan, Dhaka
- Principal Branch, Gulshan Dhaka
- Dhaka
- Rajshahi
- Chittaging
- Khulna
- Sylhet
- Feni
- Noakhali
- Savaar



- Gazipur

### **1.3 PRODUCTS AND SERVICES**

#### **1. Saving Deposit Products:**

- Regular Savings Account
- Yong Star's Account
- Senior Citizen Savings
- Meghna Salary Account
- Meghna SND Account
- Sreyoshi Savings Account

#### **2. Meghna Scheme products:**

- Deposit Pension Scheme
- Monthly Income Scheme
- Meghna Child EduPLan
- Money Multiplier Scheme

#### **3. Current Deposit Products:**

- Regular Current Account

#### **4. Meghna Time Deposits:**

- Meghna Fixed Deposits
- Meghna Bank Gift Cheque

#### **5. Meghna loan Deposits:**

- Personal Loans
- Personal loan for Professionals
- Express Loan
- Home Loan
- Doctor's Loan
- Meghna Apon Aloy
- Car Loan

#### **6. Meghna SME Products:**

- Meghna Nabarupa
- Meghna Moushumi Rin

**7. Meghna Agri Products:**

- Khamar Rin
- Motsho Rin
- Poultry Rin
- Fashal Rin

**8. Meghna Card:**

- Debit Card
- Visa Silver Credit Card
- Visa Gold Credit Card
- Card Discount Partner

**9. Meghna Student Service:**

- Open and Maintain Student File
- Fund Transfer. (MEGHNA BANK LIMITED, 2017)

## 1.4 STRUCTURE OF THE COMPANY

	<p><b>Mohammed Nurul Amin</b> Managing Director &amp; CEO</p>	
	<p><b>Protik Karim</b> Deputy Managing Director</p>	
<p><b>A.F. Shabbir Ahmad</b> Senior Executive Vice President Head, Operations Division</p>		<p><b>Mohammad Imdadul Islam</b> Senior Executive Vice President Head Retail, SME and Other Finance Division</p>
<p><b>Mojibar Rahman Khan</b> Executive Vice President Head, Anti Money Laundering &amp; Corporate Affairs Division</p>	<p><b>Kazi Farhana Zabin</b> Senior Vice President Head, Marketing &amp; Business Development Division</p>	<p><b>Syed Fazle Imam</b> Senior Vice President Head, General Services Division</p>
<p><b>Md. Sadiqur Rahman</b> Senior Vice President Head, Treasury Division</p>	<p><b>Aziz Fatema</b> Vice President In-Charge, Central Credit Administration Division</p>	<p><b>Hasanat Mahmud</b> Senior Assistant Vice President In-Charge, Central Trade Operation Department</p>
<p><b>Kazi Mamunur Rahman</b> Senior Assistant Vice President &amp; Head, Human Resource Division</p>	<p><b>A.K.M. Nazmul Karim</b> Senior Assistant Vice President In-Charge, Information Technology Division</p>	<p><b>Mohammad Kaiser</b> Senior Assistant Vice President In-Charge, ICCD</p>
<p><b>M. A. Wadud</b> Senior Assistant Vice President In-Charge, Monitoring &amp; Recovery Department</p>	<p><b>Sajib Kumar Saha</b> Assistant Vice President In-Charge Financial Control Division</p>	<p><b>Md. Ahsan Ullah Nipu</b> First Assistant Vice President In-Charge, Financial Inclusion Division</p>
	<p><b>Mohammad Shibly Shohel</b> First Assistant Vice President In-Charge, Risk Management Department</p>	

(MEGHNA BANK LIMITED, 2017)

## **2. THE JOB**

### **2.1 NATURE OF THE JOB**

I was assigned under Chowdhury Mohammed Muhaimen Kabir , Principal Officer, Central Trade Operation Department, Meghna Bank Limited. It is a blessing to work under several Principal Officers and Senior Principal Officers for the first time in your job. There is a lot of scope to learn and work for the entire department. Hence, every contribution I made working under my supervisor technically went for the entire department. As an intern, I was given all the responsibilities of preparing the papers and filing them in order.

### **2.2 ASSIGNED RESPONSIBILITIES**

Since I was recruited to work as an intern in the Central Trade Operation Department, I was assigned with several responsibilities. My supervisor, Chowdhury Mohammed Muhaimen Kabir, Principal Officer in this department managed all the opening and processing of the foreign Letter of Credits (LC). I worked under him for three months and got the opportunity of learning all the procedures of opening export and import LCs at Meghna Bank Limited. I was assigned with all these following responsibilities:

- I. Ensuring the presence of correct and genuine documents that are required to open any export or import LCs.
- II. In case of new applicants, ensuring new export or import registration certificates before opening any LCs.
- III. Filing all the required papers of any LCs into files and marking with their respective information and serial numbers.
- IV. Posting all the required transactions of the LCs on the Bangladesh Bank import and export monitoring system.
- V. Updating all the information of the LCs in the Quick Position ( internal LC database of Meghna Bank Limited.
- VI. Updating the LC ledger.
- VII. Ensuring the presence of renewal copies of the documents ( IRC, ERC, Trade License, Membership Certificate, E-Tin Certificate, Vat Registration Certificate) of the importers.

- VIII. Endorsing all the documents and taking all the required authorized signatures on the documents and give them to the importers for payment to the Customs and releasing their goods.
- IX. Posting the post-payment transaction on the Bangladesh Bank website with an internal IMP serial to keep a proof of the payment given to the applicant.
- X. After the goods are released from the customs, a document named Bill Of Exchange is given to the bank as a proof . these bill of exchanges are filed in the respective LC files of the importers.

I also assisted the other senior principal officers who dealt with export LCs.

## 3. PROJECT

### 3.1 INTRODUCTION OF THE PROJECT

Any academic course of the study has a great value when it has practical application in the real life. Only a lot of theoretical knowledge will be little important unless it is applicable in the practical life. So we need proper application of our knowledge to get some benefit from our theoretical knowledge to make it more fruitful when we engage ourselves in such field to make proper use of our theoretical knowledge in our practical life, only then we come to know about the benefit of the theoretical knowledge. Such an application is made possible through internship. When theoretical knowledge is obtained from a course of study it is only the half way of the subject matter. Internship implies the full application of the methods and procedures through rich acquired knowledge of subject matter can be fruitfully applied in our daily life. Such a procedure of practical application is known as internship. The case study is titled **“Central Trade Operation Practice: A Report on Meghna Bank Ltd”**. As a student of BBA this study will be more significant in my practical life. I have worked for three months at Gulshan Branch of Meghna Bank Limited to complete the internship program as an academic requirement.

## 3.2 PROBLEM STATEMENT

This whole report is based on a qualitative research that is purely done on the Central trade operation practices of Meghna Bank Limited. So, any kind of quantitative research was not executed for the report and hence neither a survey nor a questionnaire was prepared.

This report purely contains the import and export procedures that are worked out at the bank and the practices and the related policies have been brought forward.

### 3.2.1 OBJECTIVES

Objective of the study acts as a bridge between the starting point and the goals of the study.

To illustrate the objectives properly, presented into two parts:

#### **General:**

- To get practical idea about export and import activity.
- To observe the Central Trade Operation of Meghna Bank Limited and their services.

#### **Specific:**

- To observe the major outline of foreign business.
- To observe credit line arrangement.
- To observe the foreign correspondents of MGBL.
- To observe the post import financing operations.
- To analysis the expansion of Foreign Trade business of the MGBL.
- To identify the problems of it's financing.
- To recommend solutions of or solving the problems faced by MGBL in Foreign exchange Business.
- To adjust with business environment that will be helpful for my career.

### 3.3 LIMITATIONS

The report is written mainly on the basis of face-to-face conversation with the officer and of the little practical experience in the bank. So, no perfect study is conducted to measure the viability of the report. There are some other limitations such as:

- Time constraint prohibited the preparation of an effective report.
- Vast areas of tasks operated by the bank.
- The heavy pressure of task on each desk therefore they could hardly provide little time to discuss.
- Due to some risky monetary transaction.
- The secondary data that have been observed was in a form, which was not helpful for this study.
- Due to the safety and security reasons, access to all the confidential data was not obtained.
- The information that is provided is the synopsis of the real volume of information, so the complete pictures of the concerned aspects are not evident.
- Too much of bulk data in the Internet, which made work more difficult.
- Lack of self-knowledge concerning report preparation, was also a limiting factor in preparing a better report.



### 3.4 METHODOLOGY

#### ❖ **Type of study:**

There are mainly three different types of researches. I should define my type from these three types of researches. The researches are:

**Exploratory Research:** The objective of exploratory research is to gather preliminary information that will help define the problem and suggest hypotheses.

**Descriptive Research:** In this type of research certain problem, operation and issues are analyzed in a descriptive manner and also focus on the finding and recommendations.

**Causal Research:** The objective of such type of research is to test hypotheses about cause and effect relationships.

After doing all the research work & analyze all those I can see that, I have done a **descriptive type** of research.

#### ❖ **Methodology for Data Collection:**

##### **The Primary sources of Data:**

- Face to face conversation with the respective officer of the branch.
- Face to face conversation with the clients.
- Practical desk work.
- Relevant file study as provided by the officers concerned.
- Observation.

##### **The Secondary sources of Data:**

- Annual Reports of the MGBL.
- Periodicals published by the Bangladesh Bank.
- Different books, articles etc. regarding Foreign Exchange operations.
- Various brochures.
- Daily summary sheet.
- Various type of statement.
- Various resister books.

- Various printed form.
- Web page: [www.meghnabank.com.bd](http://www.meghnabank.com.bd)

## **3.5 FINDINGS AND ANALYSIS**

### **3.5.1 INTRODUCTION**

Foreign trade can be easily defined as a business activity, which transcends national boundaries. These may be between parties or government ones. Trades among nations are a common occurrence and normally benefit both the exporter and importer. In many countries, international trade accounts for more than 20% of their national incomes.

Foreign trade can usually be justified on the principle of comparative advantage. According to this economic principle, it is economical profitable for a country to specialize in the production of that commodity in which the producer country has the greater comparative advantage and to allow the other country to produce that commodity in which it has the lesser comparative advantage. It includes the spectrum of goods, services, investment, technology transfer etc.

This trade among various countries causes for close linkage between the parties dealing in trade. The bank, which provides such transactions, is referred to as rendering international banking operations. International trade demands a flow of goods from seller to buyer and of payment from buyer to seller. And this flow of goods and payment are done through letter of credit (L/C).

### **3.5.2 FOREIGN EXCHANGE**

As more than one currency are involved in foreign trade, it gives rise to exchange of currencies which is known as foreign exchange. The term “Foreign Exchange” has three principal meanings. Firstly, it is a term used referring to the currencies of the other countries in terms of any single one currency. To a Bangladeshi, Dollar, pound sterling etc. are foreign currencies and as such foreign exchange. Secondly, the term also commonly refer to some interments used in international trade, such as bill of exchange, Drafts, Travel cheque and other means of international remittance. Thirdly, the terms foreign exchange is also quite often referred to the balance in foreign currencies held by a country.

In terms of section 2(d) of the foreign exchange regulations 1947, as adopted in Bangladesh, Foreign Exchange means foreign currency and includes any instrument drawn, accepted made or issued under clause (13) of article 16 of the Bangladesh Bank order, 1972, all the deposits, credits and balances payable in any foreign currency and draft cheque, letter of credit and bill of exchange expressed or drawn in Bangladesh currency but payable in any foreign country.

In exercise of the power conferred by section 3 of the foreign exchange regulation, 1947, Bangladesh Bank issues license to schedule bank to deal with exchange. These banks are known as Authorized Dealers. Licensees are also issued by Bangladesh Bank to persons or firms to exchange foreign currency instruments such as T.C, currency notes and coins. They are known as Authorized moneychangers.

### 3.5.3 FUNCTIONS OF FOREIGN EXCHANGE

#### **Exports:**

- Pre-shipment advances.
- Purchase of foreign bills.
- Negotiating of foreign bills.
- Export guarantees.
- Advising/Confirming letters – letter of credit.
- Advance for deferred payments exports.
- Advance against bills for collection.

#### **Imports:**

- Opening of letter of credit (L/C)
- Advance bills.
- Bills for collection.
- Import loan and guarantees.

#### **Remittances:**

- Issue of DD, MT, TT etc.
- Payment of DD, MT, TT etc.
- Issue and enhancement of traveler's cheque.
- Sale and enhancement of foreign currency notes.
- Non-resident accounts.

#### **Dealings:**

- Rate computation.
- Maintenance of foreign currency account.
- Forward contracts.

- Exchange position and cover operations.

**Statistics:**

- Submission of returns.
- Collection of credit information.

### 3.5.4 DOCUMENTS USED IN FOREIGN EXCHANGE

- ◆ Documentary Letter of Credit.
- ◆ Bill of exchange.
- ◆ Bill of Lading.
- ◆ Commercial Invoice.
- ◆ Certificate of origin of goods.
- ◆ Inspection certificate.
- ◆ Packing List.
- ◆ Insurance certificate.
- ◆ Proforma Invoice / Indent.
- ◆ Master receipt.
- ◆ GSP Certificate.

### 3.5.5 IMPORT PROCEDURE IN MGBL

Importation is foreign goods and services purchased by customer, firms and Governments in Bangladesh.

An importer must have import registration certificate (IRC) given by chief controller of import and exports (CCI & E) to import anything from other country. To obtain import registration certificate (IRC) the following certificates are required:

- Ω Trade License.
- Ω Income Tax clearance certificate.
- Ω Nationality certificate.
- Ω Banks solvency certificate.
- Ω Asset certificate.
- Ω Registration partnership deed (if any).
- Ω Memorandum and Article of association.
- Ω Certificate of incorporation (if any)
- Ω Rent receipt of the business premises.

#### ► **Import Procedure:**

To import through Meghna Bank Limited (MGBL), a customer/client requires-

- Bank Account.
- Import registration certificate.
- Tax paying identification number.
- Proforma Invoice/Indent.
- Membership Certificate.
- L/C application form duly attested.
- One set of IMP Form.
- Insurance Cover Note with money receipt.
- Others. (BANK, FOREIGN EXCHANGE GUIDELINE VOL: 01, 2015)



**► Import Mechanism:**

To import, a person should be competent to be an importer. According to import and Export control Act, 1950, the office of chief controller of Import and Export provides the registration certificate (IRC) to the importer. After obtaining this person has to secure a letter of credit authorization (LCA) from Bangladesh Bank and then a person becomes a qualified importer.

He is the person who requests or instructs the opening bank to open an L/C. He is also called opener, applicant, or the credit. (BANK, FOREIGN EXCHANGE GUIDELINE VOL: 01, 2015)

### 3.5.6 LETTER OF CREDIT

A letter of credit is a conditional bank undertaking of payment. In other words, L/C is a letter from the importer banks to the exporter that the bills if drawn as per terms and conditions are complied with will be honored on presentation.

#### ► Classification of L/C:

- Revocable L/C;
- Irrevocable L/C;
- Confirmed L/C;
- Transferable L/C;
- Divisible L/C;
- Revolving L/C;
- Restricted L/C;
- Red clause L/C;
- Green clause L/C;
- Back to back L/C;
- With recourse;
- Without recourse.

#### ► Parties to a Letter of credit (L/C):

- Ω Importer / Buyer.
- Ω Opening Bank/Issuing Bank.
- Ω Exporter/Seller/Beneficiary.
- Ω Advising Bank/Notifying Bank.
- Ω Negotiating Bank.
- Ω Confirming Bank.
- Ω Paying / Reimbursing Bank. (BANK, FOREIGN EXCHANGE GUIDELINE VOL:01, 2015)

► **Importer's application for L/C limit / margin:**

To have an import L/C limit, an importer submits an application to the department of (MGBL) furnishing the following importation:

- Ω Full particulars of bank account.
- Ω Nature of business.
- Ω Required amount of limit.
- Ω Payment terms and conditions.
- Ω Goods to be imported.
- Ω Offered security.
- Ω Repayment schedule.

A credit officer scrutinizes this application and accordingly prepares a proposal (CLP) and forwards it to the head office credit committee (HOCC). The committee, if satisfied, sanctions the limit and returns back to the branch. Thus the importer is entitled for the limit. (BANK, FOREIGN EXCHANGE GUIDELINE VOL: 01, 2015)

### 3.5.7 REGISTRATION OF LETTER OF CREDIT

The Letter of Credit (L/C) Registration function shall allow the user to register a new L/C upon receipt of an application for issuance / opening of L/C.

It shall provide the followings:-

(a) Able to automatically generate and assign a unique reference number for each new L/C according to the bank pre-defined format. The system-assigned number will be the L/C reference number and shall be used for all future transactions on the L/C.

(b) Able to support and indicate the following types of L/Cs:

- (i) Normal LC
- (ii) Revolving LC
- (iii) Transferable LC
- (iv) Restricted LC
- (v) Back-to-Back LC
- (vi) Red Clause LC

(c) Capture brief information on L/C, such as type of L/C, customer, application date, date of receipt of application, currency and amount of L/C.

(d) Book / Earmark on the customer's L/C credit line, using L/C amount in local equivalent / currency of facility, computed using prevailing counter mid-rate exchange rate.

(e) To log the name of user who performs the registration and the date of registration in the registration record.

(f) Allow user to 'cancel/delete' the registration record (i.e. marked unused) with reason, should the bank decide not to proceed with the issuance transaction. Reference numbers that are 'deleted' cannot be re-used. (BANK, FOREIGN EXCHANGE GUIDELINE VOL: 01, 2015)

► **Before opening a L/C, the issuing bank must check the following:**

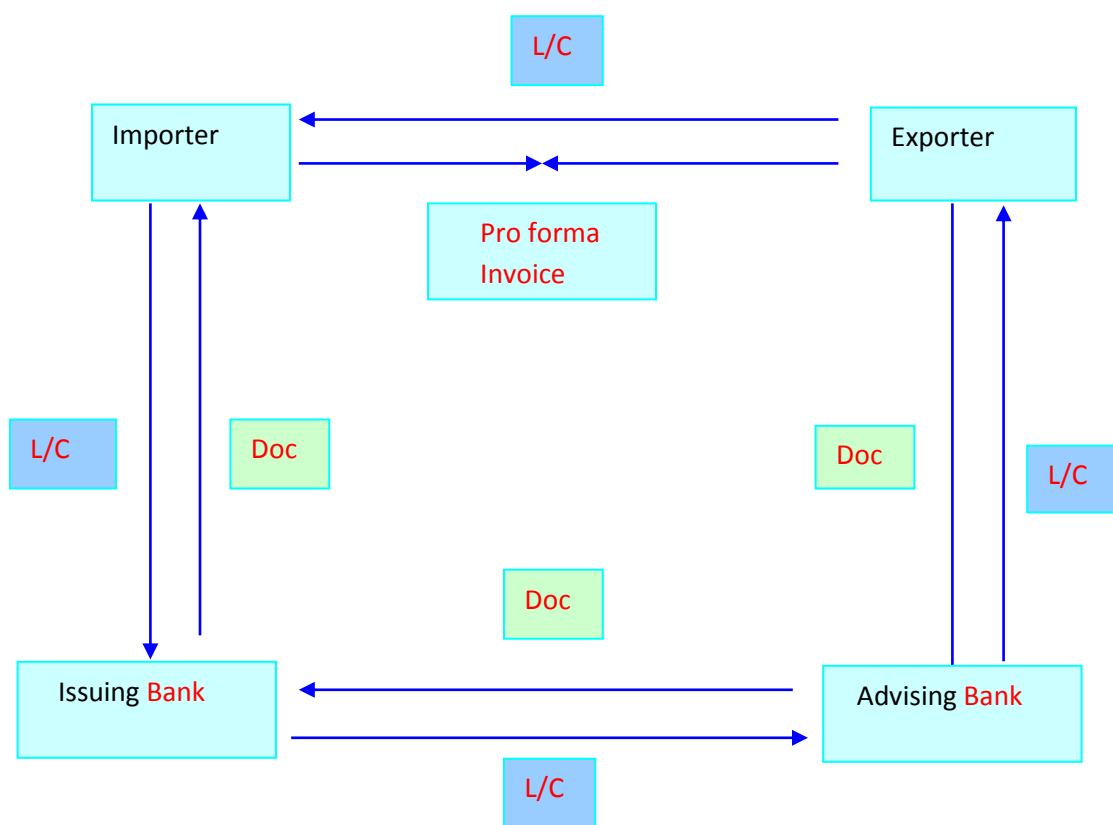
- L/C application properly stamped, signature verified and margin approved and properly retained.
- Indent / Proforma Invoice signed by the importer and Indenter / supplier.
- Ensure that the relevant particulars of L/C application correspond with those stipulated in Indenter / Proforma Invoice.
- Validity of LCA entitlement of goods, amount etc. conforms to the L/C application.
- Conversion and rate of exchange correctly applied.
- Charges like commission, FCC, Postage, Telex charge, SWIFT charge, if any recovered.
- Insurance Cover Note – in the name of issuing bank – A/c importer covering required risks and voyage route.
- Incorporation of instruction for Negotiating Bank as per banks existing arrangement.
- Reimbursement instructions for reimbursing bank.
- If foreign bank confirmation is required, necessary permission should be obtained and accordingly advising bank is advised as per banks existing arrangement.

- If add confirmation is required on account of the applicant charges should be recovered from the applicant. (BANK, FOREIGN EXCHANGE GUIDELINE VOL: 01, 2015)

### 3.5.8 OPENING OF LETTER CREDIT

In foreign exchange banking, Letter of credit (L/C) opening is an important part. L/C opening is a set of procedure which every importer needs to follow to import their products. At first importer need to contact with Exporter and with their mutual understanding exporter prepare Pro forma Invoice and sent it to the importer.

After receiving the Pro forma invoice, importer present it to their bank that is known as issuing bank that prepare L/C on behalf of importer. After preparing L/C, proposal needs to be sent to the Head Office of the issuing bank for approval. After approval, issuing bank open L/C on behalf of Importer, signed it by proper authority of bank officer, and send it their authorized export county bank for authentication. The process is done through SWIFT/Telex. The bank that provides authentication then is called advising bank. After the authentication seal is given- advising bank sends it to the exporter bank as per requirement of invoice. (BANK, FOREIGN EXCHANGE GUIDELINE VOL: 01, 2015)



► **Charges of L/C Opening:**

**To open local L/C-**

- Commission – 0.40% (minimum Tk 1000 /-)
- Postage – Tk 50
- Stamp – Tk 300
- Service charge – Tk 200

**To open foreign L/C**

- Stamp – Tk 300
- Service charge – Tk 500 + Miscellaneous charge – Tk 500
- SWIFT charge – Tk 2000

(MEGHNA BANK LIMITED, 2017)



### 3.5.9 AMENDMENT OF L/C

Amendment of irrevocable L/C is not permissible without the joint consent of all the parties involved in document credit operation.

Each and every clause of the L/C can be amended provided the parties involved in the L/C consents to it. Each and every amendment of L/C must be noted in the L/C file and copies of each amendment must be kept in the L/C file chronologically (date wise).

The amendment may relate to-

- The amount;
- The date of shipment/ negotiation;
- Any other requirement of the credit.

► Charge against Amendment of L/C

- Any change except value - Tk 2000
- Value as well as other changes - Tk 1000 + commission (not specified)
- Only change in value – commission (not specified)

► The following types of discrepancies may be noted while the negotiating bank examines the documents:

1. L/C expired.
2. Late shipment.
3. Amount drawn in excess of the L/C.
4. Bill of exchange not properly drawn.
5. Descriptions of goods differ.
6. Bill of Lading or Airway Bill state.
7. Bill of Lading classed.
8. Insurance Cover Note as per terms L/C.
9. Insurance Cover obtained after the Bill of Lading or Airway Bill date.
10. Enough number of copies not submitted as required by L/C.
11. Negotiation under L/C restricted.

12. Packing List and certificate of analysis not as per the L/C.
13. Documents not properly endorsed in favor of the bank.
14. Full shipment not effective and part shipment prohibited.
15. Gross Weight and Net Weight shown in different documents differ.
16. Some of the documents required by L/C not submitted and
17. Documents inadequately stamped.

Documents with major discrepancies, which could not be negotiated, should be sent on collection basis with the permission of the exporter. (BANK, FOREIGN EXCHANGE GUIDELINE VOL: 01, 2015)

### 3.5.10 SETTLEMENT OF L/C

Settlement means fulfillment of issuing bank in regard to affecting payment subject to satisfying the credit terms. Settlement may be done under three separate arrangements as stipulated in the credit

◆ **Settlement by Payment:**

Here the seller presents the documents to the nominated bank and the bank scrutinizes the documents. If satisfied, the nominated bank makes payment to the beneficiary.

◆ **Settlement by Acceptance:**

Under this arrangement, the seller submits the documents evidencing the shipment to the accepting bank (nominated by the issuing bank for acceptance) accompanied by draft drawn on the bank at the specified tenor. After being satisfied with the documents, the bank accepts the documents and the draft and at maturity the reimbursement will be obtained in the pre-agreed manner.

◆ **Settlement by Negotiation:**

This settlement procedure starts with the submission of documents by the seller to the negotiating bank. After scrutinizing the documents, the negotiating bank sends the documents to the issuing bank as usual; reimbursement will be obtained in the pre-agreed manner. (BANK, FOREIGN EXCHANGE GUIDELINE VOL: 01, 2015)

### 3.5.11 CANCELLATION OF L/C

The Letter of Credit (L/C) Cancellation function shall allow the user to cancel or close a Letter of Credit/Documentary Credit.

It shall provide the following:-

(a) Able to allow cancellation of L/C on-line for below conditions:

(i) Cancel L/C based upon instructions from applicant and agreement from beneficiary. Bank charges are collected.

(ii) Cancel L/C with remaining small outstanding balance from L/C negotiation(s).

(iii) Cancel before L/C expiry date.

(iv) Cancel L/C due to error correction. The error correction cancellation can only be performed if the L/C is a recently issued L/C (L/C on the same day), and has no negotiations/ drawings yet.

(b) Able to refund cash margin deposit and credit customer's current account at time of on-line cancellation. System shall prompt a message to inform the users, if there is any outstanding L/C margin deposit pending refund to the customer.

(c) To update credit line utilization and reinstate unutilized credit balance after approval of L/C cancellation.

(d) To automatically default / calculate charges as stated in the 'Charges' section, at selling exchange rate (if applicable).

(e) To debit customer's current account for the charges (if any).

(f) To automatically generate GL entries for reversals of liabilities, charges, refund margin deposit and payments, as stated in the 'GL Entries' section. (BANK, FOREIGN EXCHANGE GUIDELINE VOL: 01, 2015)

### 3.5.12 PAYMENT PROCEDURE

This is the most sensitive task of the import department. The officials have to be very much careful while making payment. The payment is done in the following given ways:

- **Date of Payment:**

Usually payment is made within 90, 120 or 180 days (must be specified) after the documents have been received. If the payment is become deferred, the negotiating bank may claim interest for making delay.

- **Preparing Sale Memo:**

A sale memo is made at BC rate to the customer. As the TT & DD rate is paid to the ID, the difference between these two rates is exchange trading. Finally, an Inter Branch Exchange Trading Credit Advice is sent to ID.

- **Requisition for the foreign Currency:**

For arranging necessary fund for payment, a requisition is sent to the International Department.

- **Transmission of SWIFT Message:**

A SWIFT Message is transmitted to the correspondent bank ensuring that payment is being made. (BANK, FOREIGN EXCHANGE GUIDELINE VOL: 01, 2015)

### 3.5.13 DOCUMENTARY CREDIT

In simple terms, a documentary credit is a conditional bank undertaking a payment. Expressed more fully, it is a written undertaking by a bank (issuing bank) given to seller (beneficiary) at the request, and in accordance with the instructions of the buyer (applicant) to effect payment (that is, by making a payment, or accepting or negotiating bill of exchange) up to a stated sum of money, with in a prescribed time limit and against stipulated documents. The customary clauses contain in a L/C are the followings:

- A clause authorizing the beneficiary to draw bills of exchange up to certain on the opener.
- List of shipping documents, which are to accompany the bills.
- Description of the goods to be shipped.
- An undertaking by the opening bank that bills drawn in accordance with the conditions will be dully honored.
- Instructs to the negotiating banks for obtaining reimbursement of payments under the credit. (BANK, FOREIGN EXCHANGE GUIDELINE VOL: 01, 2015)

### **3.5.14 LIABILITY OF ISSUING BANK**

As per Article 9(a) of UCPDC 500, An Irrevocable Credit constitutes a definite undertaking of the issuing Bank, provided that the stipulated documents comply with the terms and conditions of the credit. (BANK, FOREIGN EXCHANGE GUIDELINE VOL: 01, 2015)

### **3.5.15 ADDING CONFIRMATION**

The confirming bank does adding Confirmation. Confirming bank is a bank that adds its confirmation to the credit and it is done at the request of the issuing bank. The advising bank usually does not do it if there is not a prior arrangement with the issuing bank. By being involved as a confirming agent, the advising bank undertakes to negotiate beneficiary's bill without recourse to him.

- Issue L/C and request to add confirmation.
- Review the L/C terms.
- Provide reimbursement.
- Drafts to be drawn on L/C opening bank.
- Availability of credit facilities.
- Line allocation from the business and ownership units in the importer's country.
- Confirm and advise L/C. (BANK, FOREIGN EXCHANGE GUIDELINE VOL: 01, 2015)



### 3.5.16 EXPORT PROCEDURE OF MGBL

Practically by the term Export we mean carrying out of anything from one country to another. As banker we define export as sending of visible things outside the country for sale. Export Trade plays a vital role in the development process of an economy. With the caring we meet out import bills.

Although export trade is always encouraged, any body cannot export anything to any place. Like importer the exporters are also required to get them registered before entering into export trade. Export registration certificate (ERC) given by CCI & E is required for this purpose. The required documents to obtain ERC are also same as IRC.

When a bank (Authorized dealer) receives a L/C (cable or original) it ascertains the correctness of the test number and the authorized signature. Then the bank sends the original copy of the L/C to the beneficiary.

The exporter presents the relative documents to the negotiating bank after the shipment of the goods. The L/C issuing bank undertakes to honor its obligation only if the beneficiary fulfills the conditions stipulated in the L/C, may namely, the submission of stipulated documents within the stipulated time. Even a slight deviation of the documents from those specified in the L/C may give an excuse to the negotiating bank. So the negotiating bank must be careful, prompt, systematic and bias-free while scrutinizing the tender documents after careful and thorough examination of the documents, the banker has to list out the discrepancies which may be classified as major or minor, irremovable or removable. The removable discrepancies can be corrected by the tendered or future losses, which may arise due to non-repatriation of proceeds. (BANK, FOREIGN EXCHANGE GUIDELINES VOL:01, 2015)

#### ► **Export Formalities:**

- Procedure for registration of Exporter;
- Book and register ledger required for export;
- Export L/C checking and advising;
- Formalities of back to back L/C opening;
- Accounting of back to back L/C;
- B.B Bill checking/ Lodgment;

- Mechanism of acceptance;
- Preshipment financing;
- Export document checking and negotiation under reserve / collection basis;
- Calculation of offering sheet for fund disbursement system;
- Proceeds realization correspondents;
- Formalities of back to back payment system;
- Payment from bai-Muajjal Inv. bill A/C (if export fails);
- Substitute benefit realization / collection system;
- EXP form reporting to Bangladesh bank;
- Disposal of EXP form;
- Export incentives;
- Disputes and settlement of export claim.

► **Preparation of export documents:**

For obtaining export registration certificate (ERC) from the CCI & E, the following documents are required:

- Application form;
- Nationality certificate;
- Partnership deed (registered);
- Memorandum & Articles of Association and incorporation certificate;
- Bank certificate;
- Income tax certificate;
- Valid trade license;
- Copy of rent receipt of the business firm;
- Fees paid treasury challnas.

► **Checking and advising of Export L/C:**

On receipt of Export L/C it is to be recorded in the banks inward register and then the signature on the L/C or test number for telex L/C is to be verified by an authorized officer of a bank and finally it is to be forwarded to the beneficiary under forwarding schedule. (BANK, FOREIGN EXCHANGE GUIDELINE VOL: 01, 2015)

**3.5.17 BACK-TO-BACK LETTER OF CREDIT**

Back – to – back L/C is a secondary L/C opened by the advising Bank in favor of a domestic / foreign supplier on the basis of an export L/C. back – to – back L/C is opened for procurement of raw materials / finished goods for execution of shipment order. The beneficiary of back –to – back L/C is generally paid on negotiation of the final documents submitted by the exporter.

Although BBLC is normally opened at nil margin but Branch may ask for margin and collateral security or new clients or special cases.

The following points will be considered for allowing BBLC-

- Only recognized units of readymade garments, specialized Textiles under bonded warehouse system will be extended BBLC facility. Therefore, Branch must satisfy that the client has a valid bonded warehouse license.
- The genuineness of the export L/C must be valid with the advising bank.
- The validity of the export L/C will be for a reasonable time so that after receiving of goods under BBLC may be processed / manufactured comfortably keeping in view the validity of shipment period of muster L/C and production capacity of the factory.
- The value addition by the exporter will be at least 80% of the net FOB value of the export L/C (in some cases 75% are also allowed, subject to Bangladesh bank restrictions). FOB value is calculated by deducting freight charges, insurance, commission involved in shipment of the merchandise under the export L/C.

- The import L/C will be opened on usance basis covering usance of not more than 180 days or as prescribe by Bangladesh bank from time to time.
- Interest on usance period shall not exceed LIBOR or the prevailing rate of interest of supplier's country or as may be prescribed by Bangladesh bank from time to time. (BANK, BACK-TO-BACK LC'S, 2015)

### **3.5.18 OPENING OF BACK-TO-BACK LETTER OF CREDIT**

Bank will supply the following papers / documents for opening back to back L/C-

- L/C application form;
- LCA form;
- IMP form;
- Charge document.

The above paper must be completed and signed by the party and will verified the signature.

For opening L/C, the client is to submit to the bank an application in the printed format of the designated bank which is also an agreement between the importer and the bank. The form is to be stamped under the stamp act. in force in Bangladesh. The importer must submit the LCAF, IMP Insurance Cover Note and indent / contract / purchase order / proforma invoice (duly accepted by the importer) or more whenever required.

The L/C application must be completed / filled in and signed by the authorized person of the importer giving the following particulars –

- Full name and address of the suppliers or beneficiary or importer;
- Brief description of the goods;
- L/C amount (CFR value) which must not exceed the LCAF value;
- The unit price, quantity, quality of the goods;
- Origin of the goods, port of loading, and port of destination must be mentioned.
- Mode of shipment;

- Last date of shipment and negotiation time;
- Insurance cover note number and name of the company;
- Tenor of draft;
- Mode of advising L/C;
- Whether shipment / transshipment is allowed;
- Instruction to add confirmation if required;
- LCAF number;
- Export L/C number and date;
- Any other relevant information and instructions if any must be mentioned in the L/C application form. (BANK, BACK-TO-BACK LC'S, 2015)

### **3.5.19 FOREIGN DOCUMENT BILL FOR COLLECTION**

It is one kind of BTB L/C. here the government organization such as electric board, T&T etc. get L/C from foreign country as aid for the purpose of buying their accessories. The government organization then buys their accessories from local supplier by issuing a BB L/C against the foreign L/C. in this case, after supplying tile goods to the tile government organization, party come in ICBIBL, with tile evidence of dispatching goods and request for realizing payment of this L/C. then, tile bank gives LFDBC seal and number from the register on the documents and makes entry on tile register. These documents are sends to the foreign bank that is authorized for payment. After realizing payment, party is supposed to take their payment.

Bank can purchase these documents as LDBP. But, here it will be LFDBP (Local Foreign Document Bills Purchase). (BANK, FOREIGN EXCHANGE GUIDELINE VOL: 01, 2015)

### 3.6 RECOMMENDATIONS

As of the stated analysis, I would like to give some recommendations from my own perspective about the overall policy and performance of Meghna Bank. I believe, it would help to develop the service culture and responsive sales within the bank if the following steps can be taken.

❖ **Strengthen growth:**

The bank keeps on practicing its leading role to emphasize advancement initiative in the private sector. As now being in the most competitive arena of modern technology, the bank should gradually enhance more technologies in their operations and welcome innovations and promote operational skills in regulation of the Bank's affairs. To provide the clients with full range of banking services and enhancing the number of clients this step would be a very contributory one.

❖ **Strength Relationship:**

In spite of having many obstacles, the Bank keeps on moving forward with a constant growth in business. It gives the best effort to reinforce good relationship with trade, commerce and industry members in order to extend the field of business and additionally to gain extended loyalty of its customers. To this end, more prominent public relation functions are being performed from both Head Office and branch level to further upgrade the image of the bank to the members of public.

❖ **Customer satisfaction:**

Customer satisfaction has always been the first priority in the professional perception. In all the greater part of their business exercises, they should perceive their operation to set up significant noteworthy benefits to their clients by giving quality banking services.

❖ **Innovative Services:**

Because of the progress of policy measures of the greater economies of developed nations and globalization, the financial services markets around the world are being changed. In regard of every one of these elements they need to develop new policy and action plans to further reinforcing the working methodologies suiting the need of new circumstances and adjusting with prevailing circumstances.

### ❖ **Personal Banking:**

- It is needed to explore new marketing strategies to enhance the total export- import business and also to draw the attention of more customers.
- Meghna Bank needs to explore its customer services to its valued customers to survive in the competitive arena. For example:
  - Global Access Card
    - A safe and convenient way to have access to your money.
    - Enjoy local and international access to your money 24 hours a day, 7 days a week. Take your bank wherever you go.
  - *Electronic Banking System*
    - ATMS
    - Point of Sales Outlets
    - Internet Banking: Access information relating to your accounts at anytime, anywhere in the world 24 hours a day.
    - Phone Banking: 24 hour help line to assist you with all your banking enquires

### ❖ **Foreign Exchange Banking:**

- In order to recover the default loans, effective and proficient initiatives are necessary to be taken.
- Attractive incentive package for the exporter will help to increase the export and accordingly it will diminish the balance of payment gap of ICB Islamic Bank Limited. To enhance the export, attractive incentive packages will help and gradually it will help to decrease the balance of payment gap of Meghna Bank Limited.
- Introducing attractive WES will increase the remittance of Meghna Bank Limited.



- Long terms training and development programs will be very much beneficial for the foreign exchange officials.
- Foreign exchange operations of other renowned commercial banks are more effective and efficient. In order to compete with those Banks, Meghna Bank Limited should take some necessary measures.
- To evaluate the interest for their products in foreign countries, Meghna Bank can provide foreign market reports which will also empower the exporters.

### **3.7 CONCLUSION**

Meghna Bank Limited as being one of the private banks in the banking sector in the country endeavored to adjust itself to this new situation by adopting pragmatic policies and strategies. The Bank faced the challenges as new banks are arising and many foreign banks start their journey. Continued efforts have been made to enhance the growth and development through the realistic policy pursued by the Board of Directors and Management. In addition to that determined and dedicated professional efforts of the Executives, Officers and Employees helped the Bank to merge ahead to fulfill the commitment.

## 4. SUPPLEMENTARY PART

### 4.1 BIBLIOGRAPHY

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