



Southeast Bank Limited
a bank with vision

Internship Report

Compliance of LC Procedures by Bangladesh
Bank Regulation: A study on Southeast Bank
Limited

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2016



Internship Report On:

“Compliance of LC procedures by Bangladesh Bank regulation: A study on Southeast Bank Limited”.

Submitted to

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Letter of Transmittal

December 07, 2016

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Subject: Submission of Internship Report entitled "Compliance of LC procedures by Bangladesh Bank regulation: A study on Southeast Bank Limited"

Dear Madam,

With due respect, I draw your kind attention that I have finished the report as a part of BUS 400 course in accordance to your guidelines and glad to submit it. I have prepared this report which has enabled the merging of theoretical knowledge based on the practical experience of working and data collecting which I have collected both from primary and secondary sources of Southeast Bank Limited and also from my personal observation.

I tried my best in preparing the report and left no stone unturned to make this a vivid and comprehensive one. I hope this report will give you a clear idea to evaluate my performance of my internship program.

Sincerely yours,

.....

Mir Tasnuva Reza Meem

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BRAC Business School

BRAC University

Acknowledgement

First of all, I would like to thank Almighty ALLAH for the blessing of allowing me the opportunity of completing my internship report.

I would like to express my gratitude to my academic supervisor Asphia Habib for her undeniable support, guidance, constructive instructions and for motivating me to do this report.

I am also thankful to HR Division of Southeast Bank Limited as they have given me the chance to do internship in their Kawran Bazar branch.

I am also grateful to Mr. Md. Mostafa Kamal (Head of Kawran Bazar branch), Mr. Md. Salimuzzaman (VP and Manager operations of the branch), Mr. Shahnoor Chowdhury (SPO and in charge of foreign trade department) and Mr. Ashraful Alam (GB Officer and my immediate line manager) as they have helped me a lot by providing me with proper data which were required for my internship report.

Moreover, I would like to express my gratitude to Southeast Bank Limited for the opportunity it gave to me for working over there. I must mention the wonderful working environment and group commitment of this organization that has enables me to deal with a lot of things related to banking operations. I would like to thank each and every employees of Southeast Bank Limited as they helped me with their experiences and let me get along with their corporate culture.

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Executive Summary

Bank is a financial institution which helps to provide financial services like receives, collects, transfer, pays or invests money for customers. Banking Sector in Bangladesh remains underdeveloped yet recent expansion in private banks have led to an opportunity of growth in this competitive period. Banks are more traditional in service from the start and were very much challenged in product innovation. A lot of Multinational banks operating in Bangladesh have created substantial opportunities for local banks to follow up with the culture of modern banking. Also it is very fortunate that export business operation of the country is largely dependent on banking services. It is the best way of foreign transaction and currency conversion. Textile as well as RMG sector of Bangladesh is a landmark of the growing profitability and expansion of bank in Bangladesh.

I was assigned in the Kawran Bazar branch of Southeast Bank Limited (SEBL) as an intern. The bank is gaining popularity due to its improved quality of service, reliability, product variety, versatility and flexibility. I have tried to present this report on the basis of the knowledge and experience I have gained during my internship period of 12 weeks.

Almost every single bank in Bangladesh provides foreign trade facilities and this report focuses on the foreign trade activities in Kawran Bazar branch of Southeast Bank Limited. The project section focuses on how foreign trade is operated and LC procedures have been maintained according to Bangladesh Bank regulations. The background and history of the organization is shortly described. In the end, the report describes critical understandings of the entire learning and adds few recommendations for overall improvements.

What is a Bank

A bank is known by the functions it discharges. It may be defined only by stating what it performs.

Sir John Paget says, “It is a fair deduction that no person or body, corporate or otherwise, can be a banker who does not (a) take deposit accounts (b) take current accounts, (c) issue and pay cheques and (d) collect cheques, crossed and uncrossed, for his customer”.

Background of banking Sector in Bangladesh

Banking in Bangladesh started in 1770 with initiation of “Bank of Hindustan” in Calcutta. For the lack of trading, it only lasted till 1832. However, the first bank in Bangladesh was the “Dacca bank” in current Dhaka. Later down the road the bank was owned by “Bank of Bengal”. After the liberation war, a significant change was established in the banking sector of Bangladesh. That time “State Bank of Pakistan” was renamed to Bangladesh Bank. (Manna, 2012)

Now banks in Bangladesh are basically two types:

Scheduled Bank

They were provided the license for operation in Bangladesh under the Bank Company Act, 1991 which was amended up to 2013.

These banks operate under the direct supervision of Bangladesh bank.

There are 56 scheduled banks in Bangladesh. The Following are the classifications of Scheduled banks in Bangladesh.

- State Owned Commercial Bank
- Private commercial Bank
- Conventional Private Commercial Bank
- Specialized Bank
- Islami Sharia based Private Commercial Bank
- Foreign Commercial Bank

Non Scheduled bank

These banks were established to meet the special objectives and purpose of modern banking but they cannot perform like the Scheduled ones.

Currently there are 4 non-scheduled Banks in Bangladesh-

- Ansar VDP Unnayan Bank
- Probashi Kollyan Bank
- Jubilee bank
- Karmashangsthan Bank

Types of Bank	Number of Banks	
Scheduled Banks	SOCB's	6
	SDB's	2
	PCB's	39
	Conventional PCB's	31
	Islami Shariah Based PCB's	8
	FCB's	9
Non-Scheduled Bank	4	

Figure1: Number of Banks in Bangladesh (Bangladesh Bank , 2016)

PART 1: Organization Overview

Introduction

The prosperity of a country depends upon its economic activities. Like any other sphere of modern socio-economic activities, banking is a powerful medium of bringing about socio-economic changes of a developing country. Agriculture, Commerce and Industry provide the bulk of a country's wealth. Without adequate banking facility these three cannot flourish. For a rapid economic growth a fully developed banking system can provide the necessary boost. The whole economy of a country is linked up with its banking system.

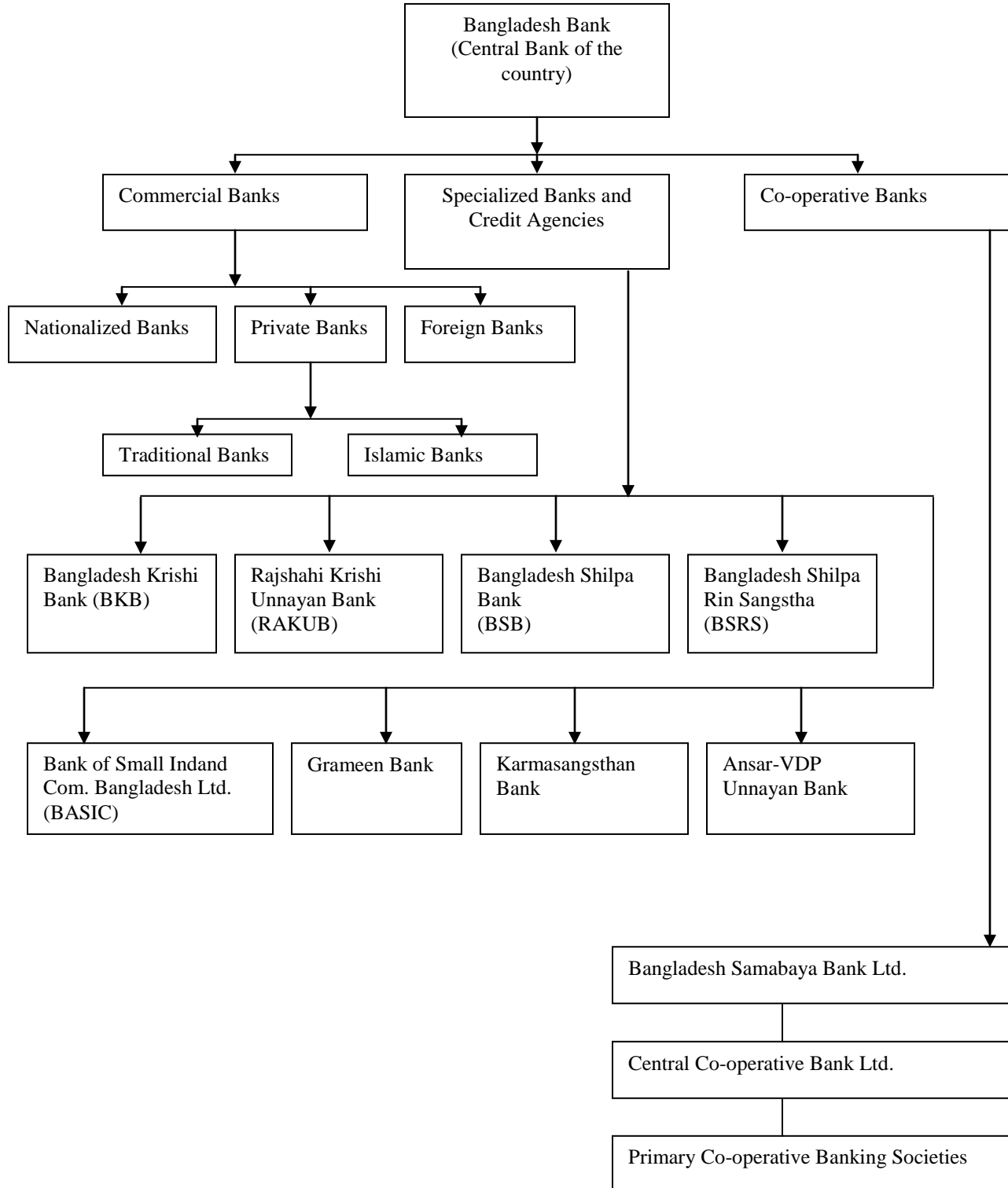
Functions of a Bank

The functions of the bank are now wide and diverse. Of all the functions of modern bank, lending is by far the most important. They provide both short-term and long-term credits. The customers come from all walks of life, from a small business to a multi-national corporation having its business activities all around the world. The banks have to satisfy requirements of different customers belonging to different social groups. The banking business has, therefore, become complex and requires specialized skills. They function as a catalytic agent for bringing about economic, industrial and agricultural growth and prosperity of the country. The banking can, therefore, be convinced "A sector of economy on the one hand and as a lubricant for the whole economy on the other". As a result different types of banks have come into existence to suit specific requirements.

The revenue earning sources of banks are mainly loans and advances. The credit facility can be of two types: funded and non-funded. Funded credit can be expensive for the banks as the bank has to pay interests. Non-funded credit includes Letter of Credit which is the main source of income for the foreign exchange business. If a bank can increase its import and export transactions, its profit will obviously reach a higher level, as the costs are negligible.

Types of Bank:

Figure 2: Types of Bank



Background of Southeast Bank Limited

Southeast Bank Limited was established in 1995 with a dream and a vision to become a pioneer banking institution of the country and contribute significantly to the growth of the national economy. The Bank was established by leading business personalities and eminent industrialists of the country with stakes in various segments of the national economy. The incumbent Chairman of the Bank is Mr. Alamgir Kabir, FCA, and a professional Chartered Accountant. Mr. M. A. Kashem a member of the Board and Mr. Yussuf Abdullah Harun were past Presidents of the Federation of Bangladesh Chamber of Commerce and Industries (FBCCI).

Southeast Bank is run by a team of efficient professionals. They create and generate an environment of trust and discipline that encourages and motivates everyone in the Bank to work together for achieving the objectives of the Bank. The culture of maintaining congenial work - environment in the Bank has further enabled the staff to benchmark themselves better against management expectations. A commitment to quality and excellence in service is the hallmark of their identity.

Southeast Bank takes pride for bringing women into the banking profession in a significant number for gender equality. At present, 18.14% of SEBL's employees are women.

The asset and liability growth has been remarkable. Southeast Bank has been actively participating in the local money market as well as foreign currency market without exposing the bank to vulnerable positions. The bank's investment in treasury bills and other securities went up noticeably opening up opportunities for enhancing income in the context of a regime of gradual interest rate decline.

Southeast Bank started its service with a vision to serve people with modern and innovative banking products and services at affordable charges. Being parallel to the cutting edge technology the bank is offering online banking with added delivery channels like ATM, Tele banking, SMS and Net banking.

Corporate Profile

Name and address of Head Office	Southeast Bank Limited (Eunoos Trade Centre, 52-53, Dilkusha C/A, Dhaka-1000)
Chairman	Mr. Alamgir Kabir, FCA
Managing Director	Mr. Shahid Hossain
Number of Branches in Bangladesh	124
Number of ATMs	53
Number of SME Centres	16

Figure 3: Corporate Profile of Southeast Bank Limited

Vision of Southeast Bank Ltd

“To be a premier banking institution in Bangladesh and contribute significantly to the national economy”

Mission of Southeast Bank Ltd.

- High quality financial service with state of the art technology
- Fast customer service
- Sustainable growth in business
- Follow ethical standard in business
- Steady return on shareholders' equity
- Innovation banking at a competitive price
- Attract and retain quality human resource
- Commitment to Corporate Social Responsibility

Core values of Southeast Bank Ltd.

The bank's strength emanates from its owner – Southeast. This means, it will hold the following values and will be guided by them as it does its jobs.

- Integrity
- Respect
- Harmony
- Team Spirit
- Courtesy
- Commitment
- Service Excellence
- Insight and Spirit
- Enthusiasm for Work

Core Strengths of Southeast Bank Ltd.

- ❖ Transparent and Quick Decision Making
- ❖ Efficient Team of Performers
- ❖ Satisfied Customers
- ❖ Internal Control and Compliance
- ❖ Skilled Risk Management
- ❖ Diversification

Core Competencies of Southeast Bank Ltd.

- ✓ Knowledge
- ✓ Experience and Expertise
- ✓ Customer Focus
- ✓ Transparency
- ✓ Determination
- ✓ Zeal for Improvement
- ✓ Reliability
- ✓ Pursuit of Disciplined Growth Strategy

Commitment to Clients

- Provide service with high degree of professionalism and use of modern technology
- Create long-term relationship based on mutual trust
- Respond to customer needs with speed and accuracy
- Share their values and beliefs
- Grow as our customers grow
- Provide products and service at competitive pricing
- Ensure safety and security of customers' valuables in trust with you

Principal activities

The principle activity of the bank is banking. The banking business includes obtain deposits through account opening, offer credit to corporate organizations, as well as retail and small & medium enterprise, trade financing, project financing, lease and hire purchase financing. The modes of banking include conventional banking and Islamic banking. It also performs merchant banking function under the license by Securities and Exchange Commission, Dhaka, Bangladesh.

- The main task of Southeast Bank is to accept deposited from various Customers through various accounts.
- Conduct all kinds of foreign exchange business including issuance of LC, Traveler's cheque etc.
- The Bank invests its fund in to profitable sector.
- Provides loans on easy terms and condition.
- Above all, Southeast Bank helps the business men financially by giving discount Facility for bill of exchange and by providing the facility of letter of Guarantee
- It creates deposit.
- It transfers money by Demand Draft (DD) and Pay Order (PO).
- The Bank is doing the transaction of bill exchange, cheque etc. on behalf of the clients.
- Southeast Bank assists in the foreign exchange by issuing letter of credit.

It brings the increasing power of the dimension of transaction.

- Acts as referee for customers.

Features of Southeast Bank Ltd.

- Southeast Bank Limited is engaged in conventional commercial banking. It is also introducing banking functions on Islamic Banking Principles.
- It is the pioneer in introducing and launching different customer friendly deposit schemes to tap the savings of the people for channeling the same to the productive sectors of the economy.
- For uplifting the standard of living of the limited income group of the population, the Bank has introduced Consumer Credit Schemes by providing financial assistance in the form of loan to the consumers for procuring household durables, which have had encouraging responses.
- The Bank is committed to continuous research and development so as to keep pace with modern banking.
- The operations of the Bank are computer oriented to ensure prompt and efficient services to the customer.
- The Bank has introduced camera surveillance system (CCTV) to strengthen the security services inside the Bank premises.
- The Bank has introduced customer relations management system to assess the needs of various customers and resolve any problem on the spot.

Corporate Culture of Southeast Bank Ltd.

Environment

While conducting due diligence on requests for credit facilities, Southeast Bank Limited will strive to ensure that environmental impacts are appraised with the same care as any other business factors. To the extent deemed practical, Southeast Bank will raise and recommend compliance with local environmental laws to all its borrowing relationships. They firmly believe in long-term sustainable development, and investment decisions will only be supported when the bank is convinced, taking into account all relevant feedback, that any adverse environmental impact will be minimal or will be avoided altogether.

Teamwork

Teamwork and co-operation is an important feature of the work ethics in Southeast Bank Limited. Without this, the corporation will not last. They leverage on the dynamics of their collective skills, knowledge and experience to achieve the best for their customers. Southeast Bank Limited views its employees as its greatest asset.

Work Place Ethics

- Fortified Service Rule
- Fortified Code of Conduct
- Fortified Policies

Diversity

Southeast Bank Ltd. respects every employee as a unique individual with all fundamental human rights and supports the cultural and ethnic diversity of its workforce. It is their belief that creating a work environment that enables them to attract, retain and fully engage diverse talents leads to enhanced innovation and creativity in their services. Southeast Bank Ltd. takes all allegations of harassment and prohibits all forms of discrimination.

Product and service of Southeast Bank Ltd.

Southeast Bank Limited offers a wide range of product and services to their customer. They offer following products and services:

Deposit Schemes

- ✓ Savings (SB)
- ✓ Short Term Deposit (STD)
- ✓ Fixed Deposit

Customer Friendly Deposit Schemes

- ✓ Pension Savings Scheme (P.S.S.)
- ✓ Education Savings Scheme (E.S.S.)
- ✓ Marriage Savings Scheme (M.S.S.)
- ✓ Savers Benefit Deposit Scheme (SBDS)
- ✓ Bearer Certificate of Deposits (3,6,12 months)
- ✓ Islamic Banking

Loan Schemes

- Consumer Credit Scheme (CCS)
- Equity and Entrepreneurship Fund (EEF)

Specialized Service

- ❖ ATM Service
- ❖ Locker Service

Depository Product

Southeast Bank Ltd. is now offer different types of product for mobilizing the saving of the general- interest paid to different Deposits

The revised rate of Southeast Bank Ltd. on all types of Deposits viz. Savings, Short Term & Fixed effective from November 16, 2016 for new as well as existing deposits from its next maturity are as follows:

<u>Tenor</u>	Tenor	Tenor	Short Term	Savings
<u>3 months</u>	6 months	1 year	Deposit	Deposit
5.50% P.A.	5.50% P.A.	5.50% P.A.	2.75% P.A.	3.75% P.A.

Figure 4: Maturity Rates for deposits

Hierarchy of Southeast Bank Limited

CHAIRMAN OF SOUTHEAST BANK LIMITED

MANAGING DIRECTOR

ADDITIONAL MANAGING DIRECTOR

DEPUTY MANAGING DIRECTOR

SENIOR EXECUTIVE VICE PRESIDENT

EXECUTIVE VICE PRESIDENT

SENIOR VICE PRESIDENT

VICE PRESIDENT

SENIOR ASSISTANT VICE PRESIDENT

ASSISTANT VICE PRESIDENT

SENIOR PRINCIPAL OFFICER

PRINCIPAL OFFICER

SENIOR OFFICER

OFFICER

JUNIOR OFFICER

ASSISTANT OFFICER

TRAINEE OFFICER

FIGURE 5: HIERARCHY

Part 2: Job Description

Internship program is one of the most important aspects of any business Graduate students. The duration of the program was 12 weeks. The program is there so that students get to introduce themselves with real office environment. A student also gets to learn to cope up in that particular environment as any other professional employee. A proper learning makes a student, professional, well communicative, sincere and punctual.

I pursued my Internship in Kawran Bazar branch of Southeast Bank Ltd. Mr. Md. Salimuzzaman is the Manager Operation of the Branch. There I was assigned to the Foreign Trade department specially the Export section.

Work environment:

My priorities at Kawran Bazar branch of Southeast Bank Limited was to assist my colleagues in their day to day workplace and everyone was kind enough to make me understand what would be my priorities and what should be taken care of.

Specific responsibilities:

In the “Export department”, my day to day work schedule were as follows-

1. Sequential numbering of files.
2. Issuing export form to exporters
3. Giving FDBP (foreign documents bills for purchase) number
4. Matching duplicate export forms with the documents
5. Categorizing LC documents
6. Collect forwarding for the LC file.
7. Prepare the CHECK LIST for the LC.
8. Separate the LC Authorization Form and staple it to the main cover
9. Ensure that every document with the Applicant signature is “authorized by the Branch”
10. Attach stamps on the stamp section
11. Then finally, bind the files
12. Rearrange the files in order
13. Place the LCs in rightful places for future reexamination
14. Update the register regarding the LC files

An export form usually contains the following:

- Name and address of the authorize dealer
- The commodity to be exported and the code number
- Name and address of the importer and exporter
- Country of origin
- Port of shipment and date
- Port of destination
- Quality
- LC value on foreign currency
- Terms of scale
- Bill of transportation receipt number

In terms of FDBC (Foreign Documentary Bills for collection)

1. Identify the LCs
2. Unpin the files
3. Name each of the files with the identification number
4. Separate the EXP form as well as the Commercial Invoice of the document.
5. Make a copy of the above mentioned files
6. UPDATE the FDBC register
7. Provide the files to the appointed personnel
8. Bind the rest of the documents to place them in designated places.

In the “Import department”, my work schedule was-

1. Issue an import form
2. Submit the form on Bangladesh Bank website
3. Write application name, beneficiary, LC no, date, value, tenor, liability, sender bank into top of the LC file, put LCAF number
4. Update the registry
5. Update the Master LC folder
6. Update the amendments

To open an LC, importers needs to fill up the followings:

- 1, LC application form
2. Pro-forma invoice
3. Import registration certificate

4. Authority to debit account
 5. Filled up amendment request form
 6. Import form
 7. Insurance cover note and money receipt
 8. Membership certificate of chamber of commerce
- And importers must have a SEBL bank account.

Important Information Entry in the registry

- ✚ LCAF ID
- ✚ LC no
- ✚ LC date
- ✚ Country of origin
- ✚ Destination country
- ✚ LC type
- ✚ LC expiry date
- ✚ LC expiry place
- ✚ Last shipment date

After all these entry, import LC is created; it will be updated and checked in every step of import process.

Other than the above mentioned work load, I also learned to do photocopy, scan important files to forward them to the seniors.

Problems faced:

Files order is not maintained properly. At times it becomes very difficult for interns to locate one single file from a set of files that are not sequentially ordered.

The branch is still investing for the development of IT so the technology is yet to be perfected. The server crashes at times and the computers are rather back to date.

Part 3: Project Part

Origin of the report:

When theoretical knowledge is obtained from a course of study, it is only the half way of subject matter. Practical knowledge has no alternative. “Internship Program” acts as an introducer of the real business world and actual organization for a student. An internship program requires a student to be attached to an organization and work on a specific project and students are required to prepare a report on the internship. For performing this report, I have got the chance to do internship in Southeast Bank Limited, Kawran Bazar branch. Thus, it has become possible for me to have practical knowledge and experience about banking operation.

Objective of the report:

As per the curriculum of BRAC Business School, every business graduate must pursue internship program as a way to experience real time work environment in any given organization. On the summer of 2016, I got the opportunity to pursue that program in Kawran Bazar branch of Southeast Bank Limited. I was appointed there at June 14, 2016 and worked for 12 weeks. I have learnt how to cope up among professionals and handle workload.

The Internship Report is based on “Compliance of LC Procedures by Bangladesh Bank Regulation: A Study on Southeast Bank Limited.”

Asphia Habib assigned me this project as per my curriculum of BUS 400 course.

The main objective of this report is to present a comprehensive study of how foreign trade is operated and LC procedures are maintained in Southeast Bank Limited. The following is needed to comprehend-

- Draw a general picture of foreign trade operation
- Analyze export and import
- Methods of issuing and advising of LCs
- Sorting out problems
- Eventually to recommend

Methodology:

A lot of sources were explored to conduct the study for primary information. Because of the lack of updated information, study was mostly based on secondary data.

Primary Data:

- Informal conversation with officers and clients
- Documents that I have worked with in the branch

Secondary Data:

- Annual report
- Web search
- Previous reports
- Newspaper articles

Scope of the study:

The scope of this report is mainly based on foreign trade activities of Southeast Bank Limited and the subject matter is “Compliance of LC Procedures by Bangladesh Bank Regulation”. Also the report covers information about the organization’s background and performances in recent years. This report is a combination of working experience and practical knowledge.

Limitations:

This report is prepared solely based on Foreign Trade and the LC procedures of Southeast Bank Limited. The organization maintains strict confidentiality about their financial and other information. Also there were no updated data available, so a lot of the times getting primary data was restricted.

Foreign Trade:

Foreign Trade department is an important section of banking. It plays a vital role for any growing economy. Basic regulations for the operation of Foreign Trade are provided by the Government as well as by the Bangladesh Bank.

Foreign trade means the exchange of currency in terms of goods via deposits, bill of exchange, draft or LC between parties. All foreign trade transactions are subject to export and import regulations of Bangladesh Bank.

Activities of Foreign Trade division:

Foreign trade is divided into three parts-

- Export
- Import
- Remittance

Southeast Bank Limited is one of the most recognized private commercial banks in Bangladesh. Since its inception, Southeast Bank is determined to provide quality service to its customers and clients and at the same time has well facilitated for the employee.

The bank holds three departments-

- General Banking
- Credit
- Foreign Trade

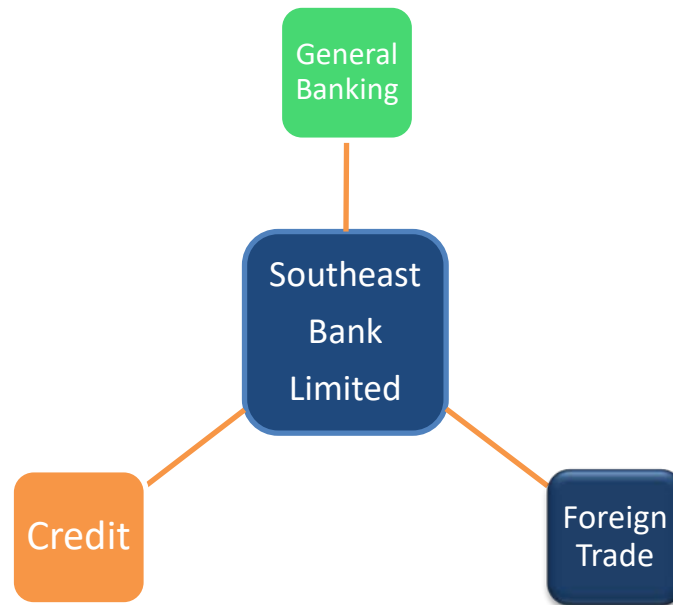


Figure 6: Department segmentation

Foreign Trade department:

Foreign trade means the trade of foreign currencies between two parties. I am going to discuss the two sections of Foreign Trade department of Southeast Bank Limited (Kawran Bazar branch)

- ✓ Export
- ✓ Import



Figure 7: Main Sections of Foreign Trade

Different Methods of Payment:

There are four primary methods of payment for international Transaction-

Cash in Advance: Importer pays full, partial or progressive payment by a foreign DD, MT or TT. After receiving payment, exporter will send the goods and the transport receipt to the importer. Importer will take delivery of the goods from the transport company.

Open Account: Exporter ships the goods and sends transport receipt to the importer. Importer will take delivery of the goods and makes payment by foreign DD, MT or TT at some specified date.

Collection Method: Collection methods are either clean collection or Documentary collection Documentary collection may be Document against Payment (D/P) or Document

against Acceptance (D/A). The collection procedure is that the exporter ships the goods and draws a draft/bill on the buyer. The exporter submits the draft/bill (only or with documents) to the remitting bank for collection and the bank acknowledges this. Then the remitting bank sends the draft/bill (with/without documents) and a collection instruction letter to the collecting bank. Acting as an agent of the remitting bank, the collecting bank notifies the importer upon receipt of the draft. The title of goods is released to the importer upon full payment or acceptance of the draft/bill.

Letter of Credit: A letter of credit is the most popular method of payments in international trade. From the importers view importers bank provides assurance that the supplier bank will pay amount according to agreement. The description of LC is given below-

Letter of credit (LC)

The method by which a Commercial Bank undertakes to make payment on behalf of the importer (buyer) to the seller (exporter) is known as Letter of Credit (LC). On the other hand, it is a credit contract whereby, the buyer (importer) bank is committed (on behalf of the buyer) to place an agreed amount of money at the seller's (exporter) disposal under some agreed conditions, since the agreed conditions include amongst other things, the presentation of some specified documents, the letter of credit is called Documentary Letter of Credit.

An importer in a country requests his/her bank to open a credit in foreign currency in favor of the exporter at a bank in the letters country. The letter of credit is issued against payment of the amount by the importer or satisfactory security. The LC authorized the exporter to draw a draft under its terms and sell to a specific bank in his/her country. The exporter has to handover the bill of exchange, shipping documents and such other papers as may be agreed upon the exporter and the importer. The buyer wants to be assured of goods and the seller to be assured of payments. Commercial Banks, therefore, assure these things to happen simultaneously by opening LC guaranteeing payment to seller and goods to buyer.

Parties involved in Operations of Letter of Credit:

A letter of credit is issued by a bank at the request of an importer in favor of an exporter from whom the importer has contracted to purchase some commodity. The importer, the exporter and the issuing bank are the parties to the letter of credit. There is however one or more than one banks involved in various capacities and at various stages to play an important operation of the credit.

Important Terms and forms are discussed below:

1. **Applicant:** Also identified as buyer or importer, the party that issues credit
2. **Issuing Bank:** The bank associated with the importer
3. **Beneficiary:** Also identified as exporter, the party on whose favor the credit is issued.
4. **Advising Bank:** The bank that advises at the request of Issuing bank
5. **Negotiating Bank:** The bank that negotiates the bill of export.
6. **Reimbursing Bank:** The bank in which the Issuing bank maintains an account and this bank will make the payment to the beneficiary

Procedure of opening LC:

- ✓ The applicant and the beneficiary negotiate terms and condition of the LC as per the agreement
- ✓ Applicant applies to the issuing bank by submitting an application
- ✓ Issuing bank asks for documents from the applicant

The Applicant submit the following documents with the application-

- ❖ Tax Identification Number (TIN)
- ❖ Valid trade license
- ❖ Import Registration Certificate (IRC)

A letter of credit Documents include:

- Contract between exporter and importer
- Purchase order
- Invoice both pro forma and commercial

After inspection, the bank forwards them to the Advising bank.

- ✓ Advising bank examines the documents and advises the LC to the beneficiary
- ✓ The beneficiary matches them with the original contract to identify any major mistakes.

- ✓ If no discrepancies found, the beneficiary draws the draft and presents to the advising bank
- ✓ Advising bank inspects all documents with reference to the terms and conditions of the LC and forwards them to the Issuing Bank
- ✓ The issuing bank makes sure that the documents comply with the LC and makes payment according to the kind of LC (Sight or deferred)

Classification of LC

There are three types of LCs in Southeast Bank Kawran Bazar Branch.

1. Sight LC
2. Deferred LC
3. Back to back LC

Sight LC: Payment must be made within five working days after receiving documents from exporter.

Deferred LC: Payment must be made on due date shipment date. It is usually 120, 90 or 60 days depending on the demand of the party.

Back to Back LC: Often issued by the exporter when he is willing to import goods with an LC against the original LC. The value of Back to back LC can be 80% of the original one.

Import:

Importing is purchasing goods and services from foreign countries. Usually the government, business firms as well as Industries import goods to their demands.

In terms of Export and Import Control Act, an importer must obtain the IRC (Import registration certificate) from the CCI & E.

(CCI & E stands for Chief Controller of Import and Export)

After that the importer must obtain a LCA (Letter of credit authorization) if he or she wants to become a qualified importer. By doing so he becomes the applicant for the bank.

Import procedure followed by SEBL:

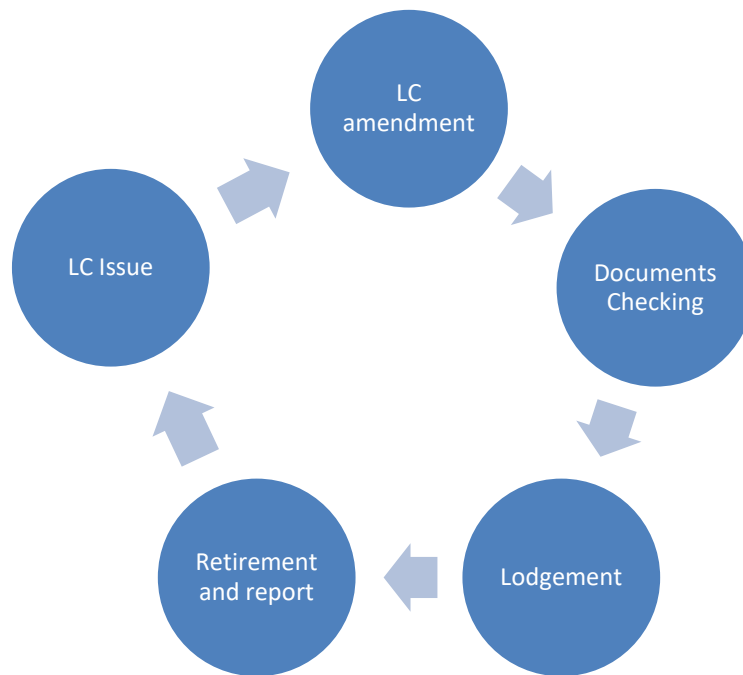


Figure 8: Import Cycle

Issuing of LC:

LC is less risky approach of importing to get payment in a secure way and in the right time. The transactions come into being when a German Company wants something from Bangladesh. Then

the company needs to settle a contract. The contract should cover all necessary particulars like value and quantity of goods etc. And then a LC would be opened in favor of the exporter.

LC opening:

It requires the following documents

- ✚ Application form which contain the detail about the application and the beneficiary. LC amount in USD, country of origin, modes of payment and acceptance etc.
- ✚ IMP form with HS (Harmonize system) code mainly categorizes the product.
- ✚ LCA form containing information about conditions of imported goods.
- ✚ Agreement that holds direct contract between parties
- ✚ Charge documents

After verification, all of the above files need to be submitted to the bank.

Some other documents are also required at time. They are-

- Membership certificate
- Memorandum of association
- Trade License
- IRC form
- Insurance cover note copy
- Money receipt
- Pro-forma Invoice

LC Transmission:

After issuing the Letter of credit, the LCA is transmitted to the authorized bank.

Southeast Bank uses SWIFT for the job. LC is disposed in the following manner:

1. Original copy is for exchange control purpose
2. The duplicate copy is for custom purpose
3. Triplicate copy is for statistical purpose
4. Quadruplicate copy is for CCI & E
5. Quintuplicate copy is for Bangladesh Bank Registration Unit
6. Office copy is kept in Branch

Exporter gets the LC through the advising Bank. Then the company starts production according to the demand.

Amendments:

Amendments are mainly further changes issued in the previously issued LC.

- Extension of shipment
- Change in commodity specification
- Change in amount

All these require that the LC is amended.

If amendment is not required then after shipment of goods, exporter prepares documents so that they are submitted to the advising bank for payment. The following documents are needed:

- Bill of entry
- Bill of lading
- Insurance policy
- Packing List
- Truck receipt
- Commercial Invoice

Documents Checking:

After receiving the documents from nominated bank, the issuing bank needs to check for further inspection of documents. The following documents are to be secured by the issuing bank;

- Pro Forma Invoice
- IMP form
- IRC form
- Insurance cover note with money receipt
- VAT Registration Certificate
- Income Tax certificate
- Beneficiary credit report

Lodgment

Lodgment is actually payment of import bills. With SWIFT Issuing bank will have to arrange for the payment of the LC. SWIFT send a message to the correspondent bank ensuring the payment. If no discrepancies found then the message is accepted.

Retirement & Report:

After the payment of bills, the branch makes the vouchers that represent the cost and other charges regarding import. Then the documents are endorsed and are handed over to the importer.

The original copy of the IMP form is sent to Bangladesh Bank and the duplicate copy stays with the branch to be registered.

Export:

Export is transfer of goods from one place to another. In order to open export LC, an exporter must have registration from CCI & E, LC Authorization and trade license. The procedure is shown below in a flow Chart



Figure 9: Export procedure

Advising:

Advising the LC is the first condition of export LC. Manage the sales contract and the export must ensure that the buyer is in term with the export and payment. When export LC is authorized to advice, the bank sends advising letter to the beneficiary informing about the issuance of LC. The original LC copy is sent and a copy of it is retained by the branch.

Issuance of EXP Form

All export details naming unit price, quantity, Bill of Lading No. need to be provided in the EXP form. The Bank must ensure that exporter is registered with CCI & E after the EXP form is issued. The exporter must submit the EXP form to the customs.

The following information is provided in the EXP form-

- Name and address of the dealer
- Name and Address of the exporter
- Commodity information with code
- Country of Origin
- Country of destination
- Port of destination
- LC value (mostly in USD)
- Sales terms
- Truck receipt no
- Bill of Lading no
- Packing list no.
- Port of shipment
- Shipment date

Documents Collection:

The exporter makes shipment of goods. The copy of the EXP form must be submitted with other necessary documents to the branch within 2 weeks. Exporter has to prepare the following documents:

- ✓ Bill of Entry: for collecting payments from the importer
- ✓ Bill of lading: issued by shipping company
- ✓ Certificate of Origin: Origin place of manufacture
- ✓ Commercial Invoice: holds information about the products
- ✓ Packing List: holds product description from individual packages
- ✓ Full set of shipping documents: Documents endorsed by customs house

All of the above should be submitted to the bank for inspection. The officer in charge should check that all documents are in terms with the order. Then all these documents are sent to the importers bank.

Realization:

The importing bank is allowed to Dispatch the money when all of the documents are provided to them. Within 120 days export proceeds are realized. The branch makes payment to the exporter by passing the accounting voucher.

Reports:

After receiving payments, the office copy is kept in the branch. The duplicate is for customs, the triplicate is reserved for statistical purposes and the quadruplicate is for CCI & E.

Precedes Realization Certificate (PRC):

PRC is the last step of Export process. The bank issues PRC to the exporter in order that the exporter provides bank certificates. PRC should be submitted in the standard format by Bangladesh Bank for TAX reduction.

Recommendation:

Modern commercial banking is challenging business. The rewards are modest, the penalties for bad looking is enormous. Commercial banks are great monetary institutions, important to the general welfare of the economy more than many other financial institutions.

Southeast Bank is an emerging bank and one of the best banks in Bangladesh. Despite that the bank specially the Kawran Bazar branch may want to focus on some factors for improvised Export and Import. My recommendations would be to focus on the following:

- It is seen that doing balancing is hard job and for this reason they face balancing problem. They should implement easy balancing way.
- Sometimes it is seen that while doing authorization and disbursement process server goes down as a result client as well as exchange houses get their fund lately. So it is recommended them to fix server problem as soon as possible
- Bank should make more and more training and workshop season for their officials. It will help them to learn newer things because banking and other sector is changing very rapidly now a days.
- Furthermore, as banking job is very much stressing and tiring, so high command should make meditation type of programs for them. As a result, they will get energy and enthusiasm for their work.
- From technological side, it is seen that they are using backdated windows XP and have little HDD. As a result, they cannot install newer and newer products which might help them in their works. Moreover, their most of the file saved in mother drive or more specifically (C\ :) drive. As a result, their computers get slow. So upgraded products should be installed.
- Their products are as usual with other banks' products. So their R & D should find out new product strategy to capture market again.
- SEBL should emphasize on advertising to capture more new consumers.

- SEBL should change their working environment to motivate their existent employees and capture new and fresh graduates. Moreover, the Kawran Bazar branch is well formulated and to maintain that supremacy, there will be in need of more employees.

Conclusion:

The report is prepared based on different types of knowledge and experience of my internship period at Kawran Bazar branch of Southeast Bank Ltd. It is a wonder way to be in practical world and learn everything on the way. I strongly believe that it will help me a lot in my professional career.

Bank is a great source of revenue for the country and the government. Export and Import are playing a vital role in the overall growth and development to the nation's economy and every banking sector share the credit. Every bank has a specialized section and Kawran Bazar Branch of Southeast Bank focuses on their "foreign trade" section mainly their Export and Import activities. The unstable economy has hindered the projected progress and the Bank is trying its utmost to reach desired position and attain targeted profit margin. The foreign trade is the best way of bringing in foreign currency and so effective measure are to be provided towards these sectors so that they are not hindered in their day to day activities and by doing so they provide for the nation.

Southeast Bank Limited started with a vision to be the most efficient financial intermediary in the country and it believes that the day is not far off when it will reach its desired goal. SEBL looks forward to a new horizon with a distinctive mission to become a highly competitive modern and transparent institution comparable to any of its kind at home and abroad.

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