

The Citibank logo, featuring the word "citibank" in a large, blue, lowercase, sans-serif font. A red arc is positioned above the "i" in "citi".

A Study on Cash Management Solutions of Citibank N.A.,
Bangladesh



Inspiring Excellence

Internship Report

A Study on Cash Management Solutions of Citibank N.A., Bangladesh

Submitted to:

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Letter of Transmittal

29th November, 2016

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Subject: Submission of Internship Report

Dear Sir,

It gives me immense pleasure to present you with my internship report titled **“A Study on Cash Management Solutions of Citibank N.A., Bangladesh”**.

The primary purpose of this report is to explore how innovative banking solutions are changing the landscape of the banking sector in Bangladesh. I have tried my best to cover the topic extensively and effectively and I sincerely hope this report will meet your expectations. I am immensely grateful for your support, guidance and encouragement during the preparation of the report.

Please accept the report and oblige. I will be glad to clarify any discrepancies that may arise in the report.

Sincerely,

Joy Chowdhury

ID: 13104226

ACKNOWLEDGEMENT

It is with great pleasure on my part that I have the opportunity to submit this internship report after three months of corporate experience at one of the world's leading banks, Citibank N.A., Bangladesh.

I would like to take this opportunity to express my sincere gratitude to my internship adviser, Dr. Md. Mamun Habib, Associate Professor of BRAC Business School, BRAC University.

The report would not have seen the light of day if it were not for the help of some of the most generous individuals at Citibank N.A., Bangladesh.

I convey my deepest appreciation to my line manager Mr. Sami Ullah Khan for his continuous guidance and support in preparing this report. I would also like thank him for being a constant source of support and motivation all through my time at Citi and guiding me even in his busiest of schedules. I am also very grateful to Mr. Moinul Huq, Mr. Naheeyan Bhuiyan, Ms. Fariya Mahtab, Ms. Rumana Hashem and Mr. Mohammad Akher for constantly encouraging me and also for providing me the opportunity to learn from them.

Lastly, I would like to express my deepest appreciation to all the personnel of Citibank N.A. for their continuous support and valuable suggestions, cooperation and assistance in the preparation of this report.

EXECUTIVE SUMMARY

The rampant growth of Bangladesh has been well documented over the last decade. With a GDP growth of around 6% on an average over the past 5 years, Bangladesh has been a model for economic progress for many. This astounding growth means more investments and coupled with favorable factors, many international companies have been heavily capitalizing on this opportunity. This means financing & banking needs of such firms have also changed and increased in the recent times. The report focuses on how one of the world's top financial service provider Citibank, is changing the landscape of Bangladeshi Banking industry. Since I had the opportunity to join one of the biggest financial institutions, Citibank N.A., Bangladesh, it enabled me to get a glimpse of how Citi is setting new boundaries in this arena. Being assigned with the Cash Management wing of Citi's Treasury and Trade Solutions, it gave me a wonderful opportunity to observe first hand Citi's practices when it comes to dealing with consumer's daily operational financial needs. This report mainly discusses the service offerings of Citibank N.A., Bangladesh which has pioneered new technology in the banking landscape of Bangladesh. With its innovative Cash Management Solutions, Citi has been meeting the operational financial needs of many of its client on a daily basis. The report dissects and goes into an in-depth study of Citi's Cash products and its impact on the local economy. The report also goes into various minute details of the organizational structure of the bank which has helped Citi to attain an edge over many other multinational banks in Bangladesh. Moreover, the report also brings into light all the global practices that have been adopted in Citibank N.A., Bangladesh which has led it to be one of the champions when it comes to providing tailor made customer friendly services to a wide range of corporate clients. Lastly, the report gives a rudimentary idea of the problems that have been plaguing further growth of Citibank N.A., Bangladesh and how it can overcome these.

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CHAPTER I

Introduction

1.1 Background of Study

The banking arena of Bangladesh has changed drastically over the last few decades. With improvements in technology, the traditional cash management practices of banks are slowly fading. Along with that the introduction of global giants such as Citibank N.A., Bangladesh, Standard Chartered Bangladesh, HSBC and many other banks, the local banks are trying to replicate their best practices and incorporate that in their general banking practices. This study brings to light the Cash Management solution and practices of one of the most prestigious banks in the world, Citibank N.A., Bangladesh.

1.2 Origin of Study

This report is a required for a partial fulfillment of the internship program for my undergraduate degree. In this report, I have tried to amalgamate the classroom knowledge with real life experience that I have gathered while my time at Citibank N.A., Bangladesh.

1.4 Scope

The primary intention of the report is to analyze how Citibank N.A., Bangladesh is using its superior Cash Management Practices to change the landscape of this country's banking system. I sincerely hope this report will be the base for other local banks to incorporate these best practices in to the local banking arena in Bangladesh.

1.3 Objective

Primary Objective

- Analyzing the primary practices of Citibank's Cash Management Solutions in Bangladesh.
- Studying the impact of Cash Management Services of Citibank in Bangladesh.
- A study of Citi's Organizational Structure and how it impacts Citi.

Secondary Objective

This Internship Report is prepared as a partial requirement for the completion of the BBA Program of BRAC Business School, BRAC University. The ulterior motive of internship is to offer a student the job exposure they need to execute class room knowledge in the corporate world.

1.5 Methodology

The Primary source of the report has been mainly collected from interviews and observations during my internship period at Citibank N.A., Bangladesh.

Secondary sources of data were collected from various pools of websites and also Citibank's own website.

1.6 Limitations

Even though, I have tried my best to extract information all the necessary information but it was extremely difficult. One of the primary reasons for such problems was Citibank's rigid Compliance regulations and requirements. Along with that, as Citi Bangladesh mostly deals with corporate clients the information remains highly confidential; as a result most data were unavailable. Lastly, since Citibank has such vast array of services it is difficult to grasp the entirety of their business process in such a short time.

Chapter II

Organizational Overview

2.1 Citi at a Glance

Citigroup Inc. is an American multinational investment banking and financial institute in the world. Citigroup is a result of one of the world's biggest mergers between banking giant Citicorp and financial conglomerates Travelers Group on October of 1998 (The New York Times, 1998). Celebrating its 200th year in June 2012, Citibank's proud history of serving its clients with full integrity and fortitude has been well noted. This segment of the paper will focus primarily on Citi's proud history, its mission, vision and what the company seeks to achieve in the near future.

2.1.1 History:

The history of Citibank dates back to 1812, which was known back then as "City Bank of New York". Since then it was a global player in the banking industry back in the United States. In the year of 1914, Citibank opened its first branch outside of USA in Buenos Aires, Argentina (The Independent, 1914). Citi's history of success is well documented and recently it celebrated its 200 years of operations. The timeline table below shows some of Citi's most glorious of achievements.

1812	<p>June 16: New York State charters City Bank of New York with authorized capital of \$2 million and paid in capital of \$800,000.</p> <p>September 14: City Bank opens for business to serve a group of New York merchants.</p> <p>Samuel Osgood is elected president (1812–1813).</p>
1813	Paid first dividend.
1822	Farmers' Fire Insurance and Loan Company is founded, the first incorporated trust company in the U.S. Its name becomes Farmers' Loan and Trust Company in 1835, and it merges with National City Bank in 1929.

1865	City Bank joins the new U.S. national banking system and becomes The National City Bank of New York.
1894	Becomes the largest bank in the U.S.
1897	First major U.S. bank to establish a foreign department; begins foreign exchange trading.
1902	Expands into Asia, Europe and India, with offices from Shanghai to Manila.
1904	Introduces traveler's checks.
1913	The bank is the first contributor to the Federal Reserve Bank of New York.
1914	November 10: National City inaugurates the first foreign branch of any U.S. national bank, in Buenos Aires.
1915	Opens National City Bank office in Rio de Janeiro, Brazil. Achieved the status of America's leading international bank, with the largest overseas branch network of any U.S. bank.
1918	International Banking Corporation, a U.S. overseas bank, becomes a wholly owned subsidiary of National City.
1919	First U.S. bank with \$1 billion in assets.
1921	National City is the first major U.S. bank to offer compound interest on savings accounts.
1928	First major American bank to offer unsecured personal loans to its depositors. Also was the first bank to open a Personal Loan Department.
1929	The bank becomes the largest commercial bank in the world.
1935	The bank develops monthly payment loans for small businesses.
1936	First bank in New York City to offer consumer checking accounts with no minimum-balance requirement.
1939	Citibank has opened 100 offices in 23 countries outside the U.S., forming the largest international bank.

1945	The bank handles more than \$5.6 billion in U.S. Treasury securities in a series of war loan and victory loan drives.
1955	The bank changes its name to The First National City Bank of New York.
1961	Invents the negotiable certificate of deposit (CD). A new subsidiary, First National City Overseas Investment Corporation, becomes the bank's holding company for non-U.S.-based subsidiaries and affiliates.
1962	The bank marks its 150th anniversary by shortening its name to First National City Bank.
1964	Go into the leasing business.
1965	Enters the credit card business.
1966	Citibank introduces Dollar Certificates of Deposit in the London market, the first new negotiable instrument in the London market since 1888.
1967	Introduces Citibank's first credit card the "First National City Charge Service" popularly known as the "Everything" card.
1968	First National City Corporation, a bank holding company, becomes the parent of First National City Bank.
1969	The "Everything" card is converted to Master Charge (today's MasterCard).
1974	The First National City Corporation holding company changes its name to Citicorp to better suit its global businesses. Citicorp introduces the floating rate note into the U.S. financial market.
1976	First National City Bank becomes Citibank, N.A. (for National Association).
1977	Citibank launches Citicard Banking Centers, anchored by ATMs and the Citicard. The 24-hour ATMs are for the first time used for more than emergency cash.
1979	Becomes the world's leading foreign exchange dealer.
1981	Acquires Diners Club.
1982-1984	Savings & Loan acquisitions in California, Florida, Illinois and Washington, D.C. make Citicorp the largest bank holding company in the U.S
1984	Citibank London is a founding member of CHAPS Clearing Company, one of the largest real-time gross settlement systems in the world, second only to Fedwire in the U.S.

1985	Introduces Direct Access® in New York, linking personal computers in homes and offices with Citibank.
1986	Introduces unique touch-screen automated teller machines in New York City and Hong Kong.
1989	Becomes the leading issuer of securitized credit card receivables.
1992	Citibank, N.A. becomes the largest bank in the United States. Citicorp's global reach links branches and offices in more than 90 countries.
1993	Becomes the largest credit card and charge card issuer and servicer in the world. Merges savings banks acquired in the 1980s and begins operating them as Citibank, FSB under a single charter.
1994	Opens the first fully foreign owned commercial bank in Russia.
1995	Celebrates the 20th anniversary of the Consumer Banking Business. Opens the first full-service branch in China in 45 years and branches in Vietnam and South Africa.
1996	Has largest number of credit cards in Asia. Taiwan becomes the first country outside the U.S. with over 1 million credit cards.
1998	October 8: All Citicorp and Travelers Group divisions merge to become Citigroup Inc.
2012	Celebrated 200 years in the banking arena.

Figure 1: History of Citibank (Source: Citigroup)

2.1.2 Citi's Corporate Mission & Vision

For any company to thrive in any business environment it must have an ideology which will set it apart from its competitors. Mission and Vision of a company is what in many cases acts as a differentiator between good and great companies. Citi, for over 200 years, has dedicated itself in putting the needs of its customers at the very top of their priority, which is visible in its corporate Mission and Vision.

Citi's Mission:

“Citi's mission is to serve as a trusted partner to our clients by responsibly providing financial services that enable growth and economic progress.” (Citigroup Inc., 2016)

Citi's Vision:

“Citi's core activities are safeguarding assets, lending money, making payments and accessing the capital markets on behalf of our clients. We have 200 years of experience helping our clients meet the world's toughest challenges and embrace its greatest opportunities. We are Citi, the global bank – an institution connecting millions of people across hundreds of countries and cities.” (Citigroup Inc., 2016)

Along with these values, Citi has also imbued four key principles that guide each and every Citi employee to stay true to the company's mission (Citi, 2014). Such principles have lead Citi to reach the pinnacle of the banking industry in the world today. The four key principles are:

Common Purpose: One team, with one goal: serving our clients and stakeholders.

Responsible Finance: Conduct that is transparent, prudent and dependable.

Ingenuity: Enhancing our clients' lives through innovation that harnesses the breadth and depth of our information, global network and world-class products.

Leadership: Talented people with the best training who thrive in a diverse meritocracy that demands excellence, initiative and courage.

2.2 Citibank N.A., Bangladesh

Citi has a strong presence in Bangladesh, starting out in 1987 with a representative office. The first fully serviced branch opened in 1995 in Motijheel. Now, it has four branches and employs almost 180 personnel. The company's clients mostly include both private and public institutions.

Its first major commercial operation started with raising \$115 for KAFCO. Through 1997 to 2000, the company facilitated the established first four independent power plants in Bangladesh. In 2000, it opened its first branch beyond Dhaka in Chittagong. In 2007, Citi arranged the 1st ever AAA-rated microcredit securitization worth \$180M for BRAC and then \$55M to expand BRAC's micro credit programs involving IFC and OPIC. In 2008, it arranged the largest M&A in telecom industry (till then) for the sale of 30% of Aktel (now Robi) stake to NTT DoComomo for \$350M. In 2009, it was the sole placement agent, issue manager and lead underwriter for Grameenphone IPO of \$141M, which is the largest IPO till date. In 2010, Citi was the placement agent and lead arranger for raising tier-2 subordinated

bonds valued at \$32M for Prime Bank. In the same year, it was the lead arranger for raising BDT 7,070M through senior structured bond for Banglalink. It was also selected as the sole Advisor to the government of Bangladesh for sovereign rating. In 2013, it was voted as the best corporate/institutional bank in Bangladesh for the 6th consecutive year. In 2014, the company was the sole book runner and lead manager for Bangladesh’s first international bond offer.

Citibank N.A., is considered the pioneer of internet banking in Bangladesh, introducing automated e-alert system to secured financial information flow to its clients in Bangladesh. The company also introduced e-mail based customer statement delivery system, contributing to the “Greener Citi” movement by eliminating paper-based advices and preserving the environment.

2.3 Organizational Structure

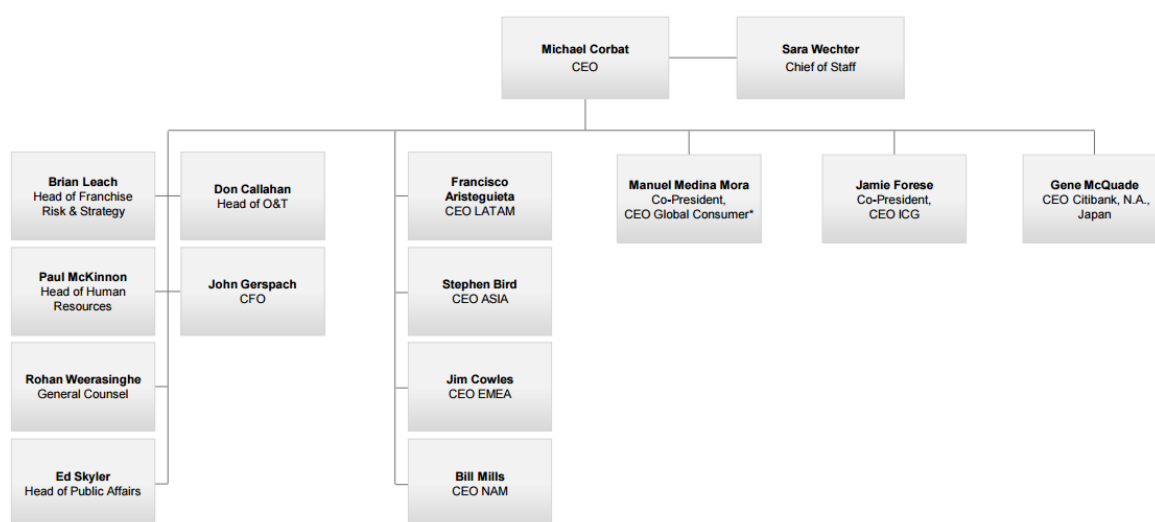


Figure 2: CitiBank Organizational Structure (Source: Citi Website)

As seen from the figure above the corporate structure of Citibank as whole has more or less a flat structure, which global operations mainly divided into different regional groups. This not only helps Citi to manage operations more easily but also helps Citi to understand the local needs of its clients.

2.3.1 Organizational Structure of Citi Bangladesh

In order for us to understand how Citibank N.A., Bangladesh works, we will need to closely look at how Citi Bangladesh organizational structure works.

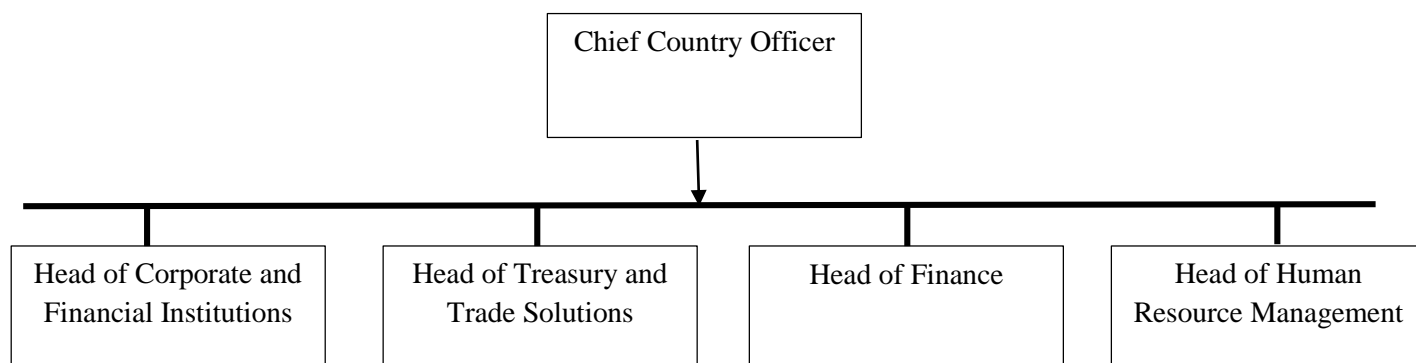


Figure 3: Citibank N.A., Bangladesh Organizational Structure

As can be seen from the figure above, the organizational structure of Citibank N.A., Bangladesh is also quite flat in nature. Under these, there are three layers of management which includes Corporate Operations, Operations Division, Relationship Manager and Corporate Service Manager respectively. Citi's flat organizational structure makes it easier for them to make decisions quickly and more efficiently.

2.4 Internship Experience

Being able to work at one of the most influential financial institutions, I had the opportunity to learn a lot of global practices that are imbued in the organization. Ranked 39th on the Fortune 500 list (Fortune 500, 2016) Citi has put in corporate practices which are extremely beneficial for the growth of anyone who is just starting out in the corporate circle. My internship commenced from 16th August 2016 and continued till 15th November 2016. I was assigned in Citi's Treasury and Trade Solutions department (TTS). Citi's Trade and Treasury Solutions department provides some of the most diverse collection of products and the broadest global reach of any financial firm in the world by leveraging a vast global network of around 22,000 employees across 100 countries, Citi's Treasury and Trade Solutions meets the complex needs of different businesses with an expertise which is incomparable to any other financial institute (Citigroup Inc., 2013). Citi's Treasury and Trade Solutions provides a vast array of services in Bangladesh. The whole service scope is given in the table below:

Treasury And Trade Solutions	Cash Management	Working Capital Solutions	<ul style="list-style-type: none"> • Receivables • Payments • Cards • Liquidity, Investments • Channel Services
	Trade	Trade Services and Supply Chain Finance	<ul style="list-style-type: none"> • Trade Services • Trade Finance • Export and Agency Finance
	Multi-Product Offerings	Integrated Payables Solutions	<ul style="list-style-type: none"> • Analytics • Payments • Cards • Trade Finance • Channel Services • Supplier Onboarding

Figure 4: Treasury and Trade Solutions Service Scope

I was assigned to the cash management wing of TTS (Treasury and Trade Solutions), my day-to-day work varied a lot during the past three months since the department has to deal lot of different segments of Citi’s business. It involved updating accounts using FLEXCUBE, software that is used by Citi for day-to-day transaction. Along with that I also was involved with various other tasks, which included vendor preview, this was one of the most key role of Citibank N.A., Bangladesh, by an arduous procedure Citibank chooses its vendor Citi looks at different risk aspect of business of that specific firm before it can be chosen a vendor at Citi. Along with that Citi’s Treasury and Trade Solutions tends to host many conferences with industry leaders which are beneficial for industry itself as it brings out all the top leaders from that industry and gather them on a platform where they can share ideas and bring new innovation on the industry. During my time at TTS, I was fortunate enough to have played a part in such an event which was entitled “Roundtable on Banking Landscape of Bangladesh Aviation Industry: Trends, Challenges and way forward”, in this seminar all senior

management of all the major airlines from the aviation industry took part in a session of idea sharing and discussed how to overcome challenges which faced in the industry. Moreover, all the senior officials from Citibank N.A., Bangladesh also participated in the event and discussed the economic outlook for the industry in the future (Daily Sun, 2016). In this event I was mainly responsible for creating a database for the attendee list along with ensuring each and everyone got the invitation card. Moreover, I was also present in the venue and aided in the management of the event. This was a great opportunity to learn how big events of such kind work and helps maintaining a good rapport with the clients as well as sustaining a form of networking within the organization. Along with that I was also responsible for reviewing Citi's legal agreements and addendums of various clients, vendors and corresponding banks. I also had to create a database for all the agreement files so that anyone can easily locate and track down the required files when they needed it. In my time at the TTS, I was also able to work on Due Diligence, which is a very thorough and rigorous procedure by which Citi identifies complete lifecycle assessment and re-assessment of customer/vendor risk that allows bank to better classify, manage, and allay customer-related risks. I was given the opportunity to work on updating the Due Diligence for G4S Bangladesh going through several clause and amendments which required to be updated.

Recently I was also given the opportunity for creating and maintaining a database for clients who signed and received FATCA forms (Foreign Account Tax Compliance Act) which requires all Non-US financial institutions to report the assets and identities of such persons to the U.S. Department of the Treasury (DLA Piper, 2011). At the very beginning I had to find out which clients have already signed FATCA forms and which did not, this was done by using a software named E-FLOW where you can store all data of each individual clients. This was an imperative leap in doing business for Citibank N.A., Bangladesh and may prove to be of significant importance in the coming years after the current turn of events in the political arena of United States of America.

Another key responsibility that was bestowed upon me was to generate statements and create quarterly reports for various Citi clients. This was mainly done by using raw data and converting them into user-friendly statements and then the computations were done which gave a clear picture about a client's deposits and withdrawals. This meant that Citi can easily estimate future cash flows for the clients and ensure proper cash management tailoring to that client's needs.

Even though I was assigned with the Cash Management team, I was also fortunate enough to work on the Trade wing of TTS. The primary work that I was assigned was to rank Citi's clients on different risk matrices based on pre-determined criteria. Moreover, I was also given the task of formulating and estimating L/C throughput, export and import bill collection and also calculated Cash Conversation Cycle (CCC) & Return on research capital (RORC) for each clients. Along with that I was also assigned to classify clients based on Obligor Risk Rating (ORR) which is normally used for longer-term credit valuations for large credit relationships (Citigroup Inc., 2014), moreover, I was also given the opportunity rank clients based on a Facility Risk Rating (FRR) that reflects the expected loss rate of the facility that they are using (Citigroup Inc., 2014).

Being a part of Treasury and Trade Solutions, I was also fortunate enough to work with other departments as well. I also had the opportunity to work with Citi's Corporate Affairs Team. I was assigned to work for a single project with corporate affairs, which was an annual program named "Gaane Gaane Gunijon Songbordhona" where Citi celebrates lives of people who had immensely contributed to the cultural heritage of Bangladesh (Daily Sun, 2016). At the very beginning I was assigned to prepare a guest list for both Treasury and Trade Solutions department and also for the Corporate Affairs department. One of my primary responsibilities was to maintain a constant communication with the event management team to ensure that they send invitations on time and also finish posters and others necessary things on schedule. Along with that was also assigned to be in contact with media personnel and invite them for the event. I also had to edit and prepare speeches for key individuals at the event. Moreover, I also edited and prepared press releases both in English and Bengali for the day of the event. On the day of the event I was assigned to handle media personnel for the whole program, where I had to sign them up and ensured that they were properly notified about program flow. The event being of such high importance to Citi, we had to ensure that event went smoothly, given the fact that the Corporate Affair team only consists of one person, I had the opportunity to display my management skills in the whole program. This was specially a big learning curve for me to see such a grand event taking place and I was able to play such a role in the event.

During my time at Citi I also had the opportunity to work with CitiService, which is an integrated consumer inquiry line for after-sales service devoted on giving easy access and precise answers in the shortest possible time to any queries (Citibank, 2015). My prime responsibility was to create a database of service charge for the fiscal of 2015 and 2016. I had

to go through several documents and input several charges for Balance Confirmation Statements, Bank Solvency Statements and Balance inquiry of clients.

One of the best parts about working in Citi is the fact that they truly believe in empowerment of their employees as well as non-employees, during my time there, I was exposed to a lot of various training which enabled me to understand the landscape of Citi. Exposure to trainings such as Anti-Money Laundering, Sanctions, Citi's Code of Conduct, Managing Citi Records and Fraud Awareness Training, are extremely beneficial for any newcomer to attain relevant knowledge in the field of banking.

My internship experience with Citibank N.A., Bangladesh was holistic understanding of how different departments work to ensure proper operational functionality of an international financial institute. The work environment, professionalism and the work load of organization was nothing but world class. Even though, there could be a better work-life balance but given the work environment there should not be any legitimate reason to complain.

Chapter III

A Study on Cash Management Solutions of Citibank N.A., Bangladesh

3.1 Brief Outline of Citi's Cash Management solutions

In the age of globalization businesses have in a state of dynamism. As barriers to trade slowly diminish businesses are in constant need of newer and customized banking needs to cater them. Citibank N.A., Bangladesh has been a pioneer in the banking sector in Bangladesh. Citi was the first bank in Bangladesh to introduce the concept of Cash Management by leveraging its Partner Bank Network. Citi has been providing full spectrum of Corporate, Treasury, Investment and Cash Management in Bangladesh since its inception in 1987. Citi has single handedly pioneered banking concepts such as Structured Cash Management Solutions, Internet Banking, Host-Host Integration, Electronic Fund Transfer, Direct Debit and E-collection solutions which were previously used in Bangladeshi Banking landscape. Moreover, Citi has been one of the leading banks in EFT Transaction volume netting over BDT 6 billion on average each month (Citibank N.A., Bangladesh, 2016). With such global and regional presence Citi has been bestowed with several awards in the banking arena including bagging the Best Corporate Digital Banking in Bangladesh by Global Finance in 2016 (which Citi has won for the past 8 years in a row).

Citi's Cash management System is a collection of products and services provided by the bank which helps the client to handle different accounts such as Sales Collection, Supplier Payments, Account Reconciliation and Short Term Liquidity/ Investments. These Cash Management tools have been widely known to have an impact on the customer's operating cycle (Citigroup.Inc. , 2016).

Citi's Cash Management Solutions is mainly divided into two segments: (i) Receivables Management and (ii) Payable Management. Both are unique sets of products set by Citibank N.A., Bangladesh. The next segment of the report shall go into in depth study about the products that lie under each segments and in doing so, the report will show what impact it has on Corporations.

3.2 Receivables Management Solutions

With some of the most innovative integrated Receivables Management Citibank is known to provide its customers with management of account collections receivables process. Noteworthy of such key innovation Citi's Receivables was been bestowed with many awards including the 2013 The Banker's "Innovation in Banking Technology Award" (Business Wire, 2013). With such accolades Citibank has been relentless in providing their clients with

the best Receivables Management Solutions which can be solely credited to their groundbreaking line of solutions which include:

3.2.1 SpeedCollect

Speed collect is a dedicated service where Citibank processes collections and clearing of instruments in an efficient manner (Citigroup, 2015). Citibank may engage certified agents, correspondent banks and/or clearing houses for the clearing and collection of the instruments. Credits and availability of funds can be customized to meet customer's cash flow requirement. Credit facilities are setup where applicable if funds are required to be available at client's account before the instruments are cleared. Citibank, Bangladesh's speed collect products include CitiClear, CitiSpeed, CitiCash, CitiCheck and CitiAnywhere.

CitiClear and CitiSpeed are local check clearing and fund transfer products that accelerate transfer of proceeds of locally payable checks, pay orders and drafts to the customer's central concentration account with Citibank. CitiClear covers the two cities where Citibank has its own branches, whereas CitiSpeed covers locations where Citibank does not have branches. Citibank has established correspondent bank relationships at these locations for check clearing and funds transfer.

CitiCheck is an upcountry check collection and funds transfer product drawn on correspondent bank at other location. This expedites transfer proceeds of checks not payable at the location where they have been deposited to the customer's central concentration account with Citibank. CitiAnywhere extends the concept of CitiCheck to a check drawn anywhere in Bangladesh. These checks are sent on "collection basis" to the drawee banks (as against arrangements with correspondent banks for CitiCheck) anywhere in Bangladesh.

CitiCash is a cash deposit and funds collection product covering the whole CitiClear-CitiSpeed-CitiCheck network. Generally cash is deposited directly by the customer. The present number of CitiCash location is 88 branches.

3.2.2 The Bangladesh Electronic Funds transfer Network (BEFTN)

The Bangladesh Electronic Funds transfer Network (BEFTN) functions as a processing and delivery center providing for the distribution and settlement of electronic credit and debit instruments among all participating banks (Bangladesh Bank, 2010). As the system works in real-time mode all the receivable transactions are calculated into a single multilateral netting figure for each individual bank.

Citibank has been quite diligently using BEFTN to provide its clientele with range of innovative services which has played an important role in clearing and collecting funds for them. Citi's services include:

EFT Debit

In an EFT debit transaction, funds flow in the opposite direction to the information. Funds are gathered from the beneficiary's account and transferred to an originator's account, despite the fact that the originator initiates the entry. The flow chart clearly describes the entire process.

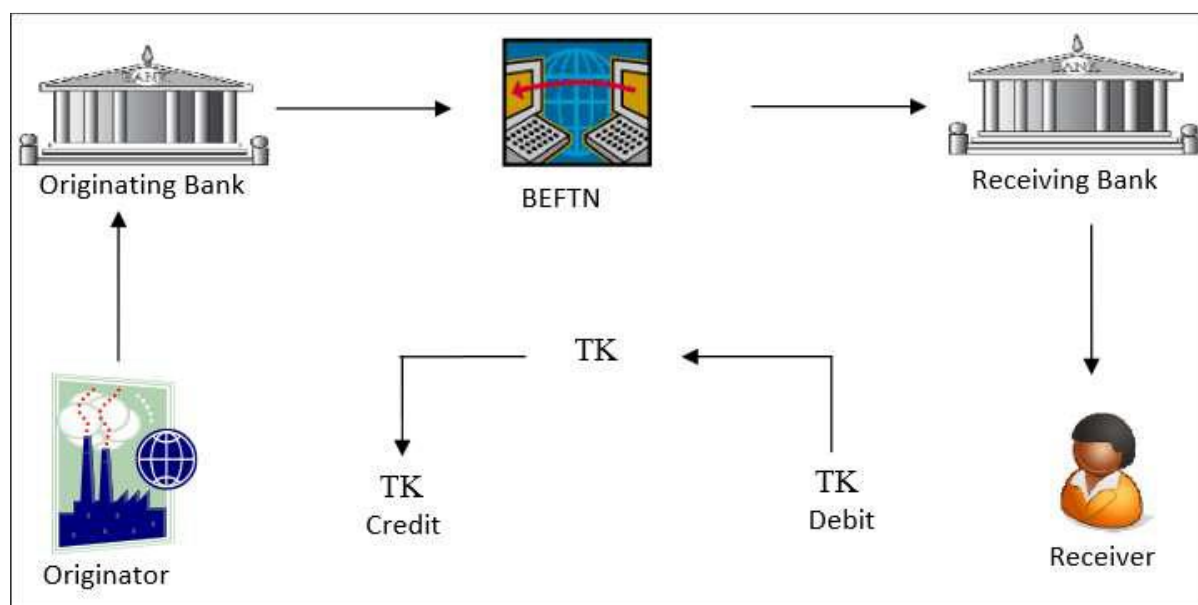


Figure 5: Electronic Fund Transfer Process (Debit) (Source: Bangladesh Bank)

The figure above clearly indicates how the trail of money flows from the originator to the receiver of the funds. Not only the process eliminates a long strenuous process of paper work but it also saves a lot of time for both parties and also helps initiate business which is faster and less troublesome for both the sender and receiver. This process is mostly used by clients to cover payments ranging from Tax, Excise, Duty and Salary. The main benefit that customers avail is that it has minimal risk of error and fraud along with the fact that bulk transaction is possible by EFT.

3.2.3 E-collect Solutions

Citibank's E-Collect solutions takes EFT debit one step forward by assigning unique remitter IDs to EFT debit initiators sending payments via EFT to client's receivables account maintained with Citibank. E-Collect is a solution that offers the customers a convenient and

reliable way of identifying payers for incoming payments of different payment modes i.e. Checks, incoming direct credit, and incoming domestic fund transfer etc.

E- Collect is an innovative account numbering convention created to entrench useful payer information or code used by enterprise system in the account structuring. The product facilitates the identification of incoming payments based on series of numbers that is assigned to each of their payers by the customer. This number forms part of the payment instruction that the payer provides as a mandatory field while remitting funds to the enterprise. Given the mandatory nature of beneficiary account capture, E- Collect ensures 100% payer reconciliation. The reconciliation details can also be structured to reflect invoice numbers or reference number as well.

This means that the clients are always aware of the fund's whereabouts and can always check their funds from anywhere in the world by accessing Citi's database by using the assigned ID.

3.3 Payable Management Solutions

Citibank's specialized instrument disbursement product offers single window coverage over 900 locations. The instruments for disbursements are Manager's Checks, Demand Drafts and Corporate Checks.

3.3.1 Manager's Check

Commonly known as pay orders, these are pre-funded instruments drawn on Citibank itself wherein the maker of the draft directs the drawee bank to make payment to the payee i.e. the person named in the instrument, to whom or to whose order the money is directed to be paid. This is one of the most common forms of payable instrument used by almost every bank in Bangladesh.

3.3.2 Demand Draft

Demand Drafts like Manger's Check are also pre-funded instruments drawn on the correspondent bank branches of Citibank wherein the maker of the draft (drawer, which is always a bank) directs the drawee (Correspondent bank) to make payment to the payee i.e. the person named in the instrument, to whom or to whose order the money is directed to be paid. The bank debits the customer upfront against availability of funds or credit lines. Funding to the correspondent banks is based on the respective arrangement with each correspondent bank.

3.3.3 Corporate Checks (Onsite Checks)

Corporate checks are account payee checks where the client is the drawer and Citibank is the drawee. Citibank accepts and acts on the Customer's instructions receiver by Citibank to print and issue a/c payee checks (i.e. Corporate Check) in such amount, drawn on the Customer's Account with Citibank and in favor of such beneficiaries as the customer may instruct Citibank from time to time. Clients of Citibank through CitiDirect will be instructing the bank to issue corporate checks affixing the image of the authorized signature of the client on the instrument.

3.3.4 Book Transfer

Book transfer is a payment method available in CitiDirect for making payments by simple account-to-account transfer within Citibank branch. This method eliminates any physical movement of instruments from one bank location to another, to the clearing house, and also eliminates the time required for such actions. Book Transfers are subject to a late cutoff to debit their account in Citibank, and credits can be made to various beneficiaries accounts maintained with Citibank.

3.3.5 EFT Credit

EFT credit is a payment system introduced by Bangladesh Bank through BEFTN, which enables an account holder of a bank to transfer funds to another account holder of another scheduled bank without any physical movement of instruments from one location to another. Bangladesh Electronic Fund Transfer Network is one of the components of BACH, which was rolled out in February 2011. Through CitiDirect customers will initiate fund transfer instruction to beneficiary maintaining with other scheduled banks. The instruction will be proceeded through DDE and a handoff file will be generated which will be sent to Bangladesh Bank through Participating Bank Module (PBM)

3.6 Cross Border Payments

Being one of the world's leading banks in Bangladesh Citibank is a specialist when it comes to Cross-Border Fund Transfers which is used for urgent and value-date sensitive payments for Citi's clients. Exploiting Citi's direct relationship over 100 national clearing houses and electronic funds transfer systems throughout the world, Cross Border Fund Transfers ensure payments are efficiently initiated for good value payment to client beneficiaries, directly to their bank account.

Citi's Cross border payment requirements typically cover the following:

- Off shore vendors
- Inter-company payments
- Value date sensitive payments
- Urgent payments
- Foreign exchange settlements

3.7 Impact of Citi's Cash Management Solution on Bangladesh

With such vast array of innovative products and services coupled with its global reach Citi has always been in the forefront of Bangladesh's Banking Industry. Citi has lead the way for many new innovations in the country. For instance Citi has pioneered a new form of secure e-alert system in 2009, by which account statements and transaction advises would directly be delivered to the client's designated e-mail addresses as soon as any transaction takes place (Bangladesh Business News, 2009). With this form of integration Citibank may be able to cut down many fraudulent activities that may occur in this day and age. Moreover, it also ensures that Citi's clients would always know about their day to day transaction which would mean more transparency in relationship between the bank and the client.

Moreover, very recently Citibank Bangladesh has solely digitized MetLife's payment system. MetLife Bangladesh being the biggest insurance provider in Bangladesh was running on traditional banking process which needed a lot of paper work and was very time consuming. This is where Citibank came to the aid of MetLife, what Citi did to set up a Host-to-Host automated connection between Citi and MetLife which is basically a two-way data transfer service for high volume online banking usage (Dhaka Tribune , 2016). This meant MetLife was able to get rid of most of their paperwork and also meant that the transaction time was greatly reduced. This integration was also the biggest payment system integration initiative in terms of daily volume done by Citi Bangladesh. Moreover, Citibank Bangladesh also provides cash pick services for its clients and currently Citi has direct agreement with one vendor company's in order to provide cash pick-up and delivery services for us as well as for our clients. Citi has strict compliance requirement for vendor onboarding process which is measure in terms of both information Security and required logistics that the vendor provides. The process is extremely strenuous and Citi makes sure all the processes in place when they choose a vendor.

Citibank N.A., Bangladesh has been one of the key players in pioneering Bangladesh's banking landscape with innovative Cash Management Solutions. Citi has been serving many local and multinational companies over the years to ensure their safe banking this has had a great impact in Bangladesh's economy in terms of trade and also it has helped local banks to incorporate practices in their system as well, which is for the greater good for the local banking industry in Bangladesh which is still at an infancy in Bangladesh in terms of services provided to its customers.

Chapter IV

Conclusion

& Recommendation

Conclusion

Citibank N.A., Bangladesh has been a pioneer in providing various tailor made Cash Management Solutions to its clients over the years. With such global expertise and vast network, Citi have been able to achieve things that very few banks done. With recent success of digitizing a system which is over 50 years old in MetLife's payment system Citi has paved a way for many organizations update a timeworn transaction system that takes a lot of time to complete. Moreover, with events such as the Roundtable Discussion on the Aviation Industry in Bangladesh, Citi is trying to unlock newer potential service scope for the industry by summoning all the major players in the industry at one place. Along with such activates and Citi's top cash management services are providing plethora of products such as SpeedCollect, Electronic Fund Transfer, E-Solutions and many more which has immensely helped trade and financial needs on a day to day basis. Citi has paved the way for a lot of new global practices and imbued them into many local banks including Internet Banking, Host-to-Host Integration, E-collection Solutions and many more. As Mark B. Yarnell once said "A Leader is someone who demonstrates what's possible", true to this words Citi has paved a path for remarkable growth and innovation for the banking industry in Bangladesh. Which such global presence I firmly believe Citibank N.A., Bangladesh will continue to expand its horizon and impart the best practices in the banking industry.

Findings and Recommendation

Citibank have been providing its customers with the highest level of Cash Management Solutions around the world and in Bangladesh this is no different. Sadly, though the banking spectrum in Bangladesh is still in its primitive stage. With recent fiasco of Bangladesh Bank heist of \$101 million via SWIFT has left a severe mark with online security vulnerability banks in Bangladesh (Kallol, 2016) from which Citibank N.A., Bangladesh is also not spared. Even though Citibank operates with the highest level of online security it still leaves with vulnerable to cyber threats constantly. Another issue that came under my observation during my internship period is the problem with large value cheque clearing, one of the primary reasons could be pinned at multiple restrictions and different layers processes imposed on by Bangladesh Bank on heavy duty cheque clearance by using Citi's different mode of Cash Management solutions. The only way this can be solved is by reducing the processes for large value cheque by Bangladesh Bank and give some form of autonomy to the banks.

One of the most crucial criticisms of Citibank N.A., Bangladesh is the fact that they depend very highly on corresponding banks for transactions since they have very few branches in Bangladesh. Which means in case of any disputes or discrepancies a lot of time will be gobbled up to settle those issues. Moreover, this also means each transaction takes more time to complete due to this lack of additional branches all over the country, so in the end this somewhat poses a major challenge for Citi and gives its competitors such as HSBC & Standard Chartered Bangladesh an edge over Citi. Even though Citi has superior Cash Management Solutions it becomes really difficult for Citi to implement them to enhance customer experience due to lack of service centers.

With Citi's superior Cash Management prowess, Citi is yet to tap into the retail market of Bangladesh which has caused Citi to hemorrhage a lot of market share to its global competitors like Standard Chartered Bangladesh and HSBC who are having a large footprint in the retail arena. Moreover, with local banks gaining on institutional clients it would be extremely difficult for Citibank N.A., Bangladesh to survive in such a competitive market unless they choose to explore the local retail market in Bangladesh.

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