

**Internship Report
on
How The City Bank Limited
Deals With Different
Operational Area**



The City Bank Limited

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Deals With Different
Operational Area**

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Letter of Transmittal

To,
Farzana Choudhury
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Subject: Submission of Internship Report

Dear Madam,

I acknowledge with my cordial thanks the co-operation & encouragement you provided and it gives me great pleasure in submitting my term paper to you.

With regard to the opportunities you provided, I tried entirely to figure out something about banking mechanism and its requisite prospects.

During my 25 days long orientation training session I have gathered & learned a great experience for myself since it provided me with wide exposures to the dynamic & real experience about professionalism.

Finally, I utterly enjoyed this assembling of term paper with your renowned institution & your mortal support & encouragement.

I should be glad and ready to co-operation with whatever you may ask for further clarification.

Thanking You

Sincerely Yours

M.M. Rahman

Md.Mushfiquir Rahman

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First, I would like to express my gratitude to Almighty Allah to give me the strength to complete the report within the specified time schedule.

This report is a synopsis of my recent learning from the internship in The City Bank Ltd.

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M.M. Rahman

Md.mushfiqur rahman

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Executive Summary

This is the report on internship program on the City Bank Limited . This report has covered three major areas of banking that is, General Banking, Loans and Advances and Foreign Exchange.

To prepare the report, secondary data are used. From the study it is found that, City Bank Limited has a strong based of products in all the three areas of Banking. They have some good asset product like CITY CARD, SME etc. Other traditional products are doing good business as well

City Bank Limited has made BDTK 132 Crore profit last year that is in 2005. At present its market position is 4 in case of profit. Its target is to be the leading Bank within 2007. To achieve this goal it has taken some initiatives. New products, new strategy, new personnel are accumulated in a balanced way.

Overview of Banking Sector in Bangladesh:

Since liberation, Bangladesh passed through fragile phases of development 'in the banking sector. The nationalization of banks in the post liberation period was intended to save the institutions and the interest of the depositors. Those handling the banking sector have borne the burden of putting banks on reliable footings. Despite all that was done some elements or irregularities appeared. With the assertion' of the role of the Central Bank, The Bangladesh bank started adopting measures for putting banking institutions on right track. Yet the performance of public sector management of banks left some negative effects in the money market in particular and the economy in general. The agility among the borrowers manipulates the banking sector as a whole. In effect, a default culture appeared on the scene.

Domestic banks can be divided into four main groups: Nationalized Commercial Banks (NCBs); Private banks established in the early 90s; private banks established in 1995 and private banks established in 1999:

Nationalized Commercial Banks (NCBs) In general terms; NCBs are large, operationally 'inefficient and, technically' insolvent. They are used as vehicles of government directed lending. These banks enjoy an enormous and stable customer deposit base, which provides a cheap source of funding. In addition, most large government related business is routed through these banks;

Private Banks, 1990s, set up to service the sectors not being addressed by the larger NCBs. not subject to state directed lending but have generally suffered from related lending to directors and their extended families.

Private Banks, 1995 - Six new licenses were granted. These are the better managed banks with strong capital base and good asset quality and under a much improved regulatory regime. All the banks clustered in this group have successfully raised

capital from secondary market and all the shares are now traded in the stock exchange at premium.

New private sector Banks: Ten new banks have been granted licenses over the year 1999. While some bankers complain that the country is over-banked, the more commonly held view, including that of the World Bank, is that there is adequate scope "for these banks to survive given currently untapped gaps in the market, fat in existing interest margins and efficiency service level disparities.

Definition:

The word "banking" has been defined to mean the accepting, for the purpose of lending or investment of deposit of money from the, public, repayable on demand, or otherwise, and withdrawal by cheque, draft, order or otherwise. .

Japan Act of 1927 defines bank as "Institutions which carry on operations of giving as well as receiving credit.

The purpose of banking is to ensure availability of money from surplus units to deficit units. Bank in all countries worked as the depository of money. The surplus units/deposits look for safety of money and extra earning like interest of their surplus money by the bank. Entrepreneurs try to obtain money from the bank as working capital and also for long term investment. These entrepreneurs welcome effective and forward-looking advice for investment. Banking sector thus owe a great to the deposit holders on the hand and the entrepreneurs on the other. They are expected to play the role of friend, philosopher, and guide for the deposit holders and the entrepreneurs.

The term banker includes any person acting as a banker while customer is the one who has an account with a banker or for whom a banker habitually undertakes to act as such.

The main functions of a bank are:

- Taking deposit

- Extending Loans & Advances.

However the bank is also involved in foreign exchange business and without bank, export-import business would have been impossible. The other functions are:

- Issue of various forms of credits (Letter of credit/Travellers cheque/credit cards)
- Acceptance of bill of exchange (for commission)
- The safe custody of valuables
- Acting as executors or trustees for customers
- Furnishing guarantees on behalf of customers
- Agency services

The City Bank Limited:

The City Bank Limited is the first private sector Bank in Bangladesh. The City Bank Limited started its business in 1983 (march 27) under the entrepreneurship of twelve prominent & leading businessman of the country with an authorized capital of Taka 20 crore and paid up capital 3.8 crore. The bank has now authorized capital of Taka 1.7 crore and paid up capital 72 crore with Taka 132 crore as reserves totaling Taka 204 crore "as paid up capital and reserves". The noble intention behind starting this Bank was to bring about qualitative changes. In the sphere of Banking and Financial management. Today the City bank serves its customers at home & abroad with 77 branches spread over the country & about three hundred overseas correspondent covering all the major cities and business center of the world.

The services encompasses wide diversified areas of trade, commerce & industry which tailored to the specific needs of the customers and are distinguished by an expectational level of prompt and personal attention. Over the years the Bank has expanded the spectrums of its services. The extensive and ever growing domestic network provides and carries various products and services to the doorsteps of

millions.

The City Bank Limited has already introduced some new Banking products like dual currency Credit Cards, Online services which has created attraction among the clients. The Bank is going to introduce real time Interest, SMS and Phone Banking Systems with all modern delivery channels at an early date.

For significant performance, the City Bank has earned national & international recognition. The City Bank Limited was one of the 12 Banks of Bangladesh among the 500 Banks in Asia for its asset, deposit & profit as evaluated by “ASIA WEEK”. In the Year 2000, Other than that, The City Bank Limited received the “Top Ten Company” award from the Prime Minister of the People’s Republic of Bangladesh.

Board of Directorate consists of 13 members including Mr. Deen Mohammad as the Chairman and Mr. Abbas Uddin Ahmed as the Managing Director of the Bank.

Vision:

To be the leading bank in the country with best practices and highest social commitment.

Mission:

- To contribute to the socioeconomic development.
- To attain highest level of customer satisfaction through extension of services by dedicated a motivated team of professionals.
- To maintain continuous growth of market share ensuring Quality.
- To maximize bank’s profits by ensuring its steady growth.
- To ensure participative management system and empowerment of Human Resources.
- To nurture an enabling environment where innovativeness and performance is rewarded.

Operational Process & Products of City Bank Limited:

As a financial institution, The City Bank Limited serves General facilities, Credit & Advances facilities as well as Foreign Exchange facilities. By this way we can say that the banking services of the CBL is served by the three departments. Those are:

1. General Banking Department
2. Loan and Advance Department
3. Foreign Exchange Department

However, not all the branches are involved in foreign exchange business. Among the 77 branches of the City Bank, only 22 are the AD (Authorized Dealer) branches and these branches only have the foreign exchange department.

Section Two

2.0 General Banking

Introduction

General Banking Department is a key point of all banking activities. It is the steerage point for all kind of transaction of foreign exchange department and itself. It usually performs a lot of important banking activities. It is the introductory department of the bank to its customers. The local office of CBL has all the required sections of general banking and these sections are run by manpower with high quality banking knowledge.

In CBL, the following departments are under general banking section:

1. Deposit Section
2. Cash Section
3. Bill Section (Remittance, Bills and endorsement)
4. Clearing Transfer Delivery and Internal Transfer Section
5. Account Section
6. Administrative Section

Deposit Section

This is an era of keen competition among banks. There are various kinds of accounts which are maintained by the bank.

- a. Current Deposit Account
- b. Saving Bank Deposit Account
- c. Short Term Deposit Account
- d. Fixed Deposit Account
- e. Foreign Currency Account (For Bangladeshi wage earner)
- f. Foreign Currency Account (other than Bangladeshi wage earner)
- g. Convertible Taka Account
- h. Non Resident Taka Account
- i. Resident Foreign Currency Account

Account opening procedure & required documents are stated below:

Account opening

In order to open an account the customer is first of all asked to fill the application form up given by the bank. The requirement by the bank to open an account are:

- 1) Proposal for opening an account
- 2) Name and full address both present and permanent
- 3) Occupation
- 4) Letter of Introduction

This is a letter from the introduction who is a valid customer of the branch or the other branch and maintaining any kind of account. The process of introducing a new customer can be done on the form itself. There is a space in the application from where the introducer will write his/her account number, address and he/she will sign as his/her specified signature.

A letter of introduction that always protects a banker in the following ways

Protection against fraud,

Protection against under charged bankrupt

Protection against inadvertent overdraft

Protection against negligence under sections 131 of NI Act.

Protection against giving incorrect information to follow banker.

5) Declaration of Nominee

The person who wants to open an account can mention minimum one and maximum three nominees. The application will given a declaration in the space

given on the account form stating the name, relation, age and percentage of share (if more than one). The account holder can charge the nomination at any time and it would be only valid after the death of the account holder.

6) Specimen Signature

The applicant will sign on the application and he/she will be provided with an extra paper where he/she will give three signatures which he/she has to maintain all through till the time he/she maintains the account.

7) Initial Deposits

It is always a common practice among bankers to allow a new customer to open an account only in cash.

8) Operating Instruction/Mandate in Writing

If any account holder wants his/her account to be operated by somebody else he/she will provide the banker in writing stating about the operator.

9) Verification of documents

The banker should verify some of the important documents like memorandum of association, Article of Association, Bylaws etc. In other cases they verify certain other documents like trust deed, probate, letter of administration etc. may be necessary.

10) Pay in slip, cheque book

The customer is supplied with a pay in slip book to use for depositing cash or cheque or bill into account. The customer is also supplied with a cheque book for drawing money as and when the customer wishes which normally contains 10, 20 or 50 blank forms.

Requirements to open different types of account:**a. Savings & Current Account:**

This type of account is opened by both individual and business concerns. Frequent transactions (deposits as well as withdrawals) are allowed in this type of account. A current account holder can draw cheques on his account for any amount for any number of times in a day as the balance in his account permits. This account provides no interest. The minimum balance To be maintained is Tk. 5000. No new account can be opened a cheque. Papers needed to open a current account with CHL are-

For Person (for both savings & current account)

- Two copy passport size photograph attested by the introducer.
- One copy passport size photograph of nominee attested by the applicant.
- Citizenship certificate provided by the ward Commissioner/up Chairman/First 4 pages photocopy of passport.
- Copy of trade licence (for businessman & current account)
- Employment certificate (for service person & savings account)

Private Limited Joint Stock Company

- Memorandum of Association and Articles of Association duly certified by chairman or secretary.
- Resolution of the Board duly certified by chairman/Secretary authorizing to open the a/c with the Bank and naming the persons who will operate the a/c as per provisions of Articles of Association.
- Corporate Agreement Form.
- Certificate of Incorporation duly certified by Chairman/Secretary
- List of Directors duly certified by Chairman/Secretary.

Public Limited Joint Stock Company

- Memorandum of Article of Association duly certified by Chairman/Secretary.
- Certificate of incorporation duly certified by Chairman/Secretary.
- Resolution of the Board duly certified by Chairman/Secretary authorizing to open the a/c with the Bank and naming the persons who will operate the a/c as per provisions of Articles of Association.
- Corporate of Association.
- Certificate of commencement of business.
- List of Directors duly certified by Chairman/Secretary.
- Clubs/Societies/Trustee/Associations/Non-trading Institutions etc.
- Photocopy of Registration certificate by Chairman/Secretary.
- Copy Constitution/Bylaws of the Club/society/association duly certified by Chairman/ Secretary. Certified copy also be verified with the original by the concerned Bank officials under seal and signature.
- Account Agreement Form.
- Resolution of the Managing Committee/Executive Committee authorizing opening the A/C with the Bank naming persons who will operate the A/C.
- List of Members of Managing Committee/Executive Committee certificate by Chairman/Secretary.

b. Fixed Deposit Account

These are deposit which is made with the bank for a fixed period specified in advance, the bank need not maintain cash receive against deposits and therefore, bank gives high rate of interest on such deposits. A FDR is issued to the depositor acknowledging receipt of the sum of money mentioned therein. It also contains the rate of interest and the date on which the deposit will fall due for payment. There

is no cheque book issued on FDR.

There is a prescribe form opening FDR. No introducer and photograph is required for opening this A/C. A minimum amount as determined by the Head office is required to open such A/C.

Sundry Deposit

This type of deposit is not directly opened for the public. No application is required to open this type of a/c. Any amount which cannot be debt or posted under any account head that amount is kept under the head of sundry deposit account. There are some a/c which are not transacted very frequent and sometime the customer encase their money through passbook but they forget to mention their a/c or and sometime people deposit some amount in an a/c.

Resident foreign currency deposit (RFCD)

Specially designed foreign currency account for resident Bangladeshis offers wonderful opportunity to build a deposit base in foreign currency. Helps make for overseas commitments and dues like credit card bills, traveling, expense, recreation tours etc. This service is offered in currencies like USD, GBP and Yen. The interest that SCB offers is very competitive, but the deposit can only be made in foreign currency. The withdrawals can only be made in local currency. It offers fund Remittance in LCY and FCY to any place in and out of the country.

Foreign Currency Account (For Bangladeshi wage earner):

Applicable to Bangladeshis working abroad, it can be opened in USD, GBP and Yen without restriction on transaction frequency can be operated through nominees, in absence of the account holder. Fund remains in foreign currency and is freely remittable. The deposit can be made in foreign currency only (Cash, TC or Drafts or transfer from other FCY account). But cash withdrawals can only be made in local currency only.

Deposit Schemes (Liability Products):

- Perfect for 18 years and younger
- Account must be opened by Parent/Guardian
- Tenure 10 years i.e. 120 EMI (Equal monthly installment) Initial deposit 5000/monthly installment 1000/
- Fully covered by insurance
- Can avail loans up to 80% of deposit amount
- Premature closure
- 18 years to 59 years
- Tenure 6 years i.e. 72 (EMI (Equal monthly install) Initial deposit 3000/monthly installment 1075/
- Fully covered by insurance
- Can avail loans up to 80% of deposit amount
- Premature closure
- Perfect for 18 years and elder

- Tenure 2, 4, 6 years i.e. 24, 48, 72 EMI
- Can avail loans up to 80% of deposit amount
- Premature closure
- Perfect for 18 years and elder
- tenure 2 years, 3 years, 5 years
- Can avail loans up to 90% of deposit amount
- Premature closure

Cash Department

The cash department deals with all types of negotiable instruments, cash and other instruments and treated as a sensitive section of the bank. Now a day in modern banking cash department serves the following services –

1. Receipt and Payment of Cash
2. Balancing, Checking and safe custody of Cash
3. Inter-Branch Remittance of Cash
4. Maintenance of Accounts with Bangladesh Bank/Other Banks
5. Telegraphic Transfer (TT) Discounting
6. Insurance of cash
7. Manage Excess or shortage of cash, mutilated defective notes

Receipt of Cash

Cash may be deposited either by deposit slip for SB/CD/CC accounts or other credit voucher like single credit voucher, pay order/draft/TT application forms. Branches shall ensure the following:

Cash receiving officer shall check the deposit slip/credit voucher/application form as to its title of the account, number and amount in words and figures.

- The cash currency notes shall be counted physically/by cash counting machines as per denominations of the currency notes on the back of the voucher/deposit slip. The officer will enter the particulars in the cash receiving register and sign on the related deposit slip/voucher and affix Cash received stamp with date. He shall write the amount in words and figures in red ink across the deposit slip/voucher/application form in token of receipt of the money. He shall send the register along with the deposit slip/voucher for signing on the same and authenticating the receipt in the register by the in-charge of the department.
- The officer in-charge shall retain the original of deposit slip and other vouchers and send them to respective desk for posting/actions. The duplicate voucher shall be handed over to the depositor/client.
- At the close of the business the cash receiving officer shall add all the entries in the register and if agreed with the actual cash received by him, shall hand over the register for checking by officer-in-charge.
- Receiving Cash officer will hand over the Cash to the entire cash in-charge duly checked by him.

Payment of Cash

Cash payment of different instruments is made in cash section. Procedure of Cash Payment against cheque is discussed under elaborately. Cash Payment of cheque includes few steps:

- First of all the clients come to the counter with the check and give it to the officer in charge there. The officer checks whether there are two signatures on the back of the cheque and checks his balance in the computer. After that the officer will give it to the cash in charge.
- Then the cash in charge verifies the signature from the signature card and permits the officer in computer to debit the client's account by giving posting. A posted seal with teller number is given. Then the cheque is given

to the teller person and he after checking everything ask the drawer to give another signature on the back of the cheque.

- If the signature matches with the one given previously then the teller will make payment keeping the paying cheque with him while writing the denomination on the back of the cheque.

Balancing, Checking and Safe Custody of Cash

- At the close of business when cash receiving and payment registers are balanced. The cash balance book is written and agreed with cash in hand. The book is signed jointly by the cash officer and the supervising officer/manager.
- Cash position Memo is written including details of denomination on the reverse. The memo shall be signed by the Cash officer and Checking Officer.
- Vault register shall be written with details of denominations and the checking officer shall initial the register.
- In presence of the checking officer the loose cash box is closed and the bundles are placed in the safe inside strong room together with box and the keys are applied.
- The Cash Position memo is sent to Account department for balancing of accounts of ther Brace.

Maintenance of Accounts with Bangladesh Bank/Other Banks

An important duty of the cash section is to maintain a stable balance of account with Bangladesh Bank. If the statutory reserve of the bank becomes downward from the margin then the bank has to pay a high rate of interest for the deficit amount and also get an interest for excess money. So that for showing good performance cash section has to deal a very sensitive and responsible job for managing the balance of account with Bangladesh Bank. To avoid the shortage of

liquidity a bank also has to open short notice accounts with other banks. For those deposits the bank gets a certain rate of interest.

Bill Section (Remittance)

This section deals with remittance means money transfers from one place to another by financial institution, it may be inside the country or outside the country.

The functions of the remittance desk are:

- a) Issue and payment of Demand Draft
- b) Issue and payment of Telegraphic Transfer (TT)
- c) Issue and payment of pay Order
- d) Issue and payment of pay Slip
- e) Balancing of remittance account
- f) Issuance of Duplicate Instruments
- g) Cancellation of Instruments

Demand Draft (DD)

Local Draft is an instrument containing an order of the issuing branch upon another branch known as Drawee branch for payment of a certain sum of money to the payee or to his order on demand by the beneficiary presenting the draft itself.

ADD is issued and paid in four ways:

- a) Against in Cash
- b) Against in Cheque
- c) Against in a Letter of Instruction
- d) After receipt of Advice

Issuing of DD

Against Cash-The customer is asked to complete DD application form which treated as credit voucher for CBL General Account. The voucher given to the customer to deposit cash

with the cash department. The cash department receives and delivers the vouchers to the remittance department.

Against Cheque-The cheque is sent to concerned department for posting after the cheque is passed.

Against a Letter of Instruction-

The letter is sent to deposit department for verification of signatures. The letter is attached with the debit voucher.

After receipt of Advice-On receipt of advice from issuing branch, the advice are recorded on draft payable register as DD.

Payment of DD

In Cash-The draft is received at the cash counter if it is not crossed and sent to remittance department. The date, amount in words and figures, branch drawn upon and signatures on the draft is checked. It is checked that the DD is tested and the test is agreed. The payee of the DD is identified by a constituent/respectable gentlemen acceptable to the branch and his signature is verified by Deposit department. Particulars of the draft are verified from the register. Payment date is noted in the register. The payment of DD also gives through clearing/transfer delivery/cash transfer.

Telegraphic Transfer (TT)

It is an order from the issuing branch to the Drawee Bank/Branch for payment Application of a certain sum of money to the beneficiary. Telex sends the payment instruction and funds are paid to the beneficiary through his account maintained with the Drawee branch or through a pay order if no a/c is maintained with the branch.

This service is near about end position because of entering new networking banking facility. Now any client who has an account in CBL of its any branch get the facility to debit or credit his account by any branch of CBL from any where in the 26 online branches of CBL.

Pay Order

For issuing a pay order the client is to submit an Application to the Remittance Department in the prescribed form (in triplicate) properly filled up and duly signed by applicant. The processing of the pay order Application form, deposit of cash/cheque at the Teller's counter and finally issuing an order etc. are similar to those of processing of L.D. Application.

A pay order also issued and paid by three ways:

- a) Against/in Cash
- b) Against/in Cheque
- c) Against/in a Letter of Insurance

Pay-Slips

A pay slip issued for the payment of expenditures or refund on behalf of the bank.

A pay slip is issued by credited the bill payable account.

A pay slip is paid in cash or through clearing/transfer delivery/cash transfer.

Balancing of remittance account

DD Payable, TT payable, PO issued, DD paid without advice accounts should be balanced on monthly basis. The balances are agreed with the figures of concerned subsidiary accounts.

Issuance of Duplicate Instruments

In case of losing or not receiving by the beneficiary the instrument issuing bank can issue of duplicate Pay-Order, demand Draft.

Cancellation of Instruments

If any reason the issued pay Order or demand Draft is cancelled the branch cancelled the instrument and kept with the debit voucher for pay order and for DD no draft should be allowed to be cancelled without obtaining prior conformation from the draw branch.

Bills

Cheques, drafts etc drawn on bank located outside clearing house are sent for collection. Local office collects its clients above mentioned instruments from other branches of CBL and branched other than CBL. In case of outward bills for collection customers account is debited for this purpose. So it place dual role as follows:

- a) Collecting Banker
- b) Paying Banker

There is one officer working over desk in this department.

Functions of the Department

The following are the main functions performed by the department

- a) Preparing of outward and inward collection
- b) Inter-Branch transfer
- c) Batch posting and checking as and when required.
- d) Other works as and when require

Applicability of collection

Bill Collection department is done when:

- a) Paying bank is located outside Dhaka City
- b) Paying bank is other branches of CBL situated inside Dhaka City.

a) Paying bank is located outside Dhaka City

Bill department of local office, CBL sends outward bills for collection (OBC) to the concerned paying bank to get Inter Bank Credit Advice (IBCA) from paying Bank. If the paying bank dishonors the instrument, the same is return to local office.

b) Paying bank is other branches of CBL situated inside Dhaka City.

Bill department sends transfer delivery item to other branches of same bank, situated inside Dhaka City, upon receiving IBCA customers a/c is credited.

Account Section

Account section records day to day transaction of the branch including deposit inflow-outflow, daily expenses and gives focus what are need for establishment of the branch means photocopy paper, ink, shelf, desk etc. This section prepares statement daily, weekly, monthly, semi-yearly and yearly.

This department also is called financial control department. In banking business transaction are done every day is their transaction are to be recorded properly and systematically as the banks deal with the depositors money. Any deviation in proper recording many hamper public confidence and bank has to suffer a lot otherwise. Improver recording of transaction will lead to the mismatch in the debit side and the credit side. To avoid these mishaps the bank provides a separate department whose function is to check the mistake is passing voucher on wrong entries or fraud or forgery.

Section
3.0 Loans & Advances

Loan and Advance Department

Loans and advances comprise the most important asset as well as the primary source of earning for the bank. On the other hand, loan is also the major source of risk for the bank management. A prudent bank management should always try to make an appropriate balance between its return and risk involved with the loan portfolio and unregulated bank might be fraught with unregulated risk for maximizing its potential return. In such a situation a bank might find itself in serious financial distress instead of improving its financial health. Consequently not only the depositors but also the general shareholders will be deprived of getting back their money from the bank.

Loans and advances mean lending made by the bank to its clients earnings interest. Main objective lending is to earn profit for the bank. On an average 75% to 80% of the banks earning from interest receipts against loans and advances of a bank.

Definition of Credit

Credit is the confidence of the lender in the ability and willingness of the borrower to repay the loan at a future date. It is generally believed that confidence is the basis of all credit transaction. The fundamental principles upon which credit is generally based on are character, capacity, capital and 3 C's.

SELECTION OF GOOD BORROWERS

Selecting a good borrower is an important job of a bank branch. As credit always inherent risks and therefore, one has to be very careful in selecting a borrower. The bank executive needs to follow some techniques to select a good borrower besides taking into consideration of "principles of sound lending".

For selecting a good borrowers, a banker ought to make a study on borrower. That means he has to study at least borrower's 3 (Three) C's which refers to :

1. Character
2. Capacity
3. Capital

The next step of selecting a good borrower is to know his credit worthiness through Loan Application. In fact, loan application is a questionnaire on borrower and from it; a clear picture on borrower will be received by the banker. Now, one has to verify the information given on the loan application while verifying one has to enquire about the following:

- Business experience
- Bank Account
- Income Tax Statement
- Asset liability statement
- CIB
- CRG
- Banker's opinion
- Credit Report etc.

Bank gets “exclusive” credit worthiness of borrower by way of verifying the following:

- Mode of Living of Borrower Visit to Business Office
- Visit to Site of Land
- Building (Securities)
- Verify Telephone Bill
- Verify Contract Point

Credit Policy of The City Bank Limited

Principle # 1

Credit is not to be made available nor services provided to a customer where we lack an understanding of the customer or the customer's business

Principle # 2

Insider loans and self-dealing loans are prohibited.

Principle # 3

Name lending is to be avoided in respect of all customers/counter parties

Principle # 4

All companies in a group shall be assessed individually and collectively. Applies for approval, reporting and regulatory ceiling compliance purpose.

Principle # 5

Lending to the holding companies is prohibited Lending to the Government or sector corporations should not always be considered as low risk.

Principle # 6

Lending to the Government or sector corporations should not always be considered as low risk.

Principle # 7

a. Money should not be lent in property merely because of evident collateral. Companies or individuals who are seeking to develop their property should have a proven title or legitimate construction authority on it.

Principle # 8

No lending or deal is to be made with a bank or financial institution unless its credit worthiness is established through due diligence and propriate counter party limit is approved by the appropriate authority.

Principle # 9

a. While dealing with the groups their tendency of drawing accommodation bills and originating in-house transactions should be clearly identified and avoided.

Principle # 10

Per party credit exposure to be clearly worked out and determined.

Principle # 11

Only the products that are covered by approved Product Program Guidelines (PPGs) or departmental Operating Instructions (DOI) may be provided to CBL customers. Principle # 12

Facilities should be priced on risk adjustment basis. Nature of product or facilities, customer credit grades, security, risk transfer factor (Counter guarantee from another bank/Insurance cover) should be considered.

Principle # 13

Products that are appropriate for the nature of business and amounts of loan that is appropriate for the scale of operation of the customer should be provided.

Principle # 14

Tenor and terms of financing should be structured in relation to customers own business cycle.

Principle # 15

Specialized areas for bank financing should be defined, measured and clearly understood. Only those areas where CBL has competence and capacity may be taken up for financing.

Principle # 16

Facilities will be provided only after a full analysis of the risks associated with the customers as well as facilities proposed and a review of the risk adjusted return has been completed and documented.

Principle # 17

All Corporate clients should be allocated a credit grade using appropriate grading methods as adopted from the best practices and in compliance with central bank's prudential guidelines.

Principle # 18

All loan application should be obtained in bank's standard format and signed by the authorized.

Principle # 19

Loan origination and disbursement authority must generate from two different Persons and/or departments/divisions.

Principle # 20

Credit Limits may be approved only within formally delegated or assigned authority.

Principle # 21

Facilities may be drawn only after authorization from Credit Administration & Monitoring department, which must be organizationally independent of the credit marketing and credit approval process.

Principle # 22

All items that are pledged, mortgaged, collateralized to the bank must be tangible, have quantifiable value and should be under physical (actual or constructive) control of CBL or have legal title/charge thereto.

Principle # 23

All loans and advances originated and disbursed should be collected or realized from the borrower at maturity.

Principle # 24

All decision makers should be aware of the risk concentration at portfolio level.
They must proactively manage, define and diversify the risk concentration.

Types of Credit:

1. Continuous Loan
2. Demand Loan
3. Term Loan

1. Term Loan

SOD against easily encashable securities (Financial Obligatio) such as FDR, Bond, share etc. as per rules and regulation in force.

SOD against work orders (as working capital finance)

Cash Credit (Hypo & Pldege)

2. Demand loan:

LIM (Loan against imported merchandise)

LTR (Loan against Trust Receipt)

EDF (Export Development Fund)

Packing Cash Credit (PCC)

ECC (Export Cash Credit)

3. Term Loan:

Short term industrial loan

Mid term industrial loan

Long term industrial loan

Transport loan

House Building Loan (Commercial)

Loan against fixed deposit receipt or eligible financial instrument

Brief Particulars of Loans & Advances

Facility	Description	Security Support
Secured/ Collateralized Overdraft (SOD)OD)	Facility is allowed against easily marketable/ Govt. approved instruments (like FDR's, BSPs/PSPs, Unit certificates etc) or against security of land/ property acceptable to the bank.	a) Pledge of instruments duly discharged. b) Equitable registered mortgage of land property.
Cash Credit CC (H)	Facility is allowed for financing inventory may be either hypothecated or pledged to the bank as primary security.	Letter of hypothecation/ pledge of Goods.
Loan against Trus receipt	Facility is allowed to facilitate delivery of goods against retirement of documents of title to goods. The client is under delegation to pay the outstanding out of the sale proceeds of the goods.	A standard form called "Trust Receipt".
Loan against imported Merchandise (LIM)	Facility is allowed against documents received against L/C released to an approved clearing agent at the request of the client. Goods must be stored in a secured area of the godown under effective control if they are kept on the borrowers premises.	Letter of pledge of Goods.
Export Cash Credit (ECC)	Facility is allowed to exporters to facilitate purchase of raw materials for the purpose of manufacturing and exporting finished goods.	Letter of pledge of Goods (under bonded facility).

Loan (secured, mortgage, bonds, and shares, other marketable securities)	Facility is allowed for various purposes for acquisition of fixed assets and granted for short, mid or long term purpose.	Equitable/registered mortgage of tangible fixed assets.
Demand Loan		a) Documents of title of Goods. b) Accepted documentary bills.
Letter of Credit (sight/usance)	Letters of Credit for importation of capital machinery or commodity are called sight L/C as the draft to be drawn at sight. Drafts drawn under usance are for a tenure specified in the L/C and payable by the client in due dates.	Cash margin.
Letter of Credit (Back to back)	This type of Letters of Credit is backed by master export L/C for export of garments to overseas market.	Lien over master L/C 1 st class of banks acceptable to CBL.
Letters of Guarantee (Bid, PG, APG)	Usually guarantees can be classified under two heads. (a) Financial Guarantees towards fulfillment of financial commitment on behalf of the client (b) Performance Guarantee when the bank guarantees the performance of the client as specified in the guarantee.	Margin in the form of cash and or FDR.

Letters of Guarantee (Shipping)	Bank, issues guarantees in favour of the shipping company to enable the importer to obtain delivery of the goods without producing the Bill of Landing.	100% built-in margin.
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Processing of Credit Proposals

- The client shall submit loan application form with necessary papers/documents as per Bank's checklist.
- On receipt of the loan application form, branch shall scrutinize the papers to ensure the following:
- All the columns of the application form have been filled in with appropriate information and the application is signed.
- All the papers/documents containing requisite information as per checklist have been submitted.
- There is no apparent discrepancy in the application papers/documents submitted by the client.
- On scrutiny of the papers, client should be interviewed to know details about the business and find out any inconsistency in the papers.
- Credit proposals must be prepared for all credit facilities, facilities will be renewed at the discretion of CBL every year.
- The processing of a credit proposals falls into mainly two stages as under:
Obtaining due approval of the component authority of CBL and Steps for allowing the client avail the credit facility.

Credit Report:

The branch manager should ensure preparation of credit report on the client to determine its past record, business performances, market reputation etc. The credit report should contain the following:

The nature of clients business.

The names of owners and details of their associated business concerns.

Net worth of the individual person owing the firm/company (obtain through declaration at the time of submission of loan application)

The financial health of the business of loan application.

The financial health of the business concern.

Assessment of managerial capability through analyzing the upto date financial statements and market report, previous bank's transaction record.

CIB Report:

In the recent past, to stream line credit discipline in banking sector and for meticulous adherence to the treatment of delinquent borrower by the commercial banks as per stipulation of Bank Companies Act 1991. Bangladesh Bank has introduced a credit part folio data base naming Credit Information Bureau (CIB). For processing credit proposals (both funded & non-funded) banks need to obtain mandatory satisfactory CIB report from Bangladesh Bank.

Present criteria for obtaining mandatory CIB report may be charged from time to time at the discretion of Bangladesh bank. Any change in this regard shall be notified to the banks vide Bangladesh Bank CIB Circulars. Branch manager must obtain satisfactory CIB report prior to processing of credit proposals and mention the status of the client and its allied concerns/persons of the borrower in the credit line proposals as it is revealed in the latest CIB report.

Visiting Client:

A visit to the clients business premises, factory can be a very useful avenue to gather information for preparation of credit proposals. This visit and meeting the client at their door-step may help to confirm the business decision reach by the manager with regard to the clients financial status, management efficiency and technical details about the good sense and services in which the client deals.

During the visit particularly to the factory godown, the manager can get an idea about the client's investment, condition of the machinery and clients stock movement. This will also help to judge its quality and acceptability as a reliable security. A set of question which may be asked, should be prepared before hand.

There are different sections covered in the credit proposal format which are:

01. Client introduction: Giving the exact name and style of the client as per registration in case of limited company. Also indicate the nature of the proposals "New" or "Renewal/revision". Use figures in denomination of Taka in million. State the exact nature of business/description of the project. Provide business capital/equity capital of the owner based on financial statement.

02. Particulars of owners: State whether proprietor, partners or directors show the percentage of the shareholdings of the directors as per record. Provide declared assets/net worth as the case may be by individually.

03. Allied concerns: Provide name of allied business concern of the owners/client, their nature of business and their investment/interest in the business.

04. Credit facility from other banks: Obtain declared statement from the client. Also refer to CIB report of Bangladesh Bank.

05. Account maintained with CIB: State all accounts including Fixed, Deposit, if any showing average deposit/current deposit.

06. Existing credit (lines): Give details and nature of facility. The amount of respective limit and the out standing on the date of the proposal should also be given. State validity/maturity. State primary and collateral security in brief. In footnote, please provide overdue status of PAD/TR/Loan and whether Term Loan repayment is regular.

07. Proposed credit lines: In case of renewal/revision this section should be completed only after careful review of the conduct of the account. Clients financial requirement. Managing of business affairs in terms of available facility (ies).

Incase of fresh proposal, and after having preliminary discussion with the client to have a clear view of clients account, his future plans and financing requirements, the size of limit, period and proposed security to be structured.

08. Analysis of credit proposed: In this section, provide general background of the client, business profile, project details and management aspects of the business house/industry. Give views on qualification, experience and past history of the owners.

09. Third party information: Provide status of up to date CIB report, Credit checking with other sources should also be done. Previous banks account transaction.

10. Financial information: This section reflects the financial soundness of the business concern and information to be collected/prepared from spreadsheet analysis on the basis of clients management certified financial statements or audited financial reports. Furnish comments on the liquidity, profitability and leverage position of the client. This exercise/assessment should be done carefully pinpointing the strong and weak areas.

11. Prospects: Here business prospects market outlook of the product to be given. Salient features of the products, pricing, market strategy to be provided in case of manufacturing products.

12. Assessment of financing requirements: Clients financing requirement to be assessed on the basis of business cash flow/working capital assessment/future plans. Fixed requirement to be assessed and recommended after preliminary discussion with the client.

13. Source of repayment: The probable source of repayment of the client have to be provided.

14. Inadequacy in the documentation: mention non-fulfillment of any documentation/ mortgage perfection etc. Also indicate audit objection on clients account.

15. Collateral security: Give details of security in the form of land, building, machinery, its written down value or surveyed value. Also show nature of marketable securities, its face value and average market value.

16. Risks Analysis: furnish comments on LRA exercise, if done, and indicate the LRA rating. Indicate possible risks in the business and its mitigation.

17. Accounts/business performance: Give details of clients deposit/loan accounts performance during last 12 months. Show debit/credit summation, minimum/maximum balances, L/Cs opened, export documents negotiated during last 12 months.

18. Bank's earning: Give break-up of earning from the relationship.

19. recommendation: Give meaningful comments, consideration of the business line with clear recommendation.

20. Proposed facility (ies): Give facility wise proposed/renewed/restructured loan/credit limits, purpose of the facility, source of repayment, pricing of the facility, security support and validity of the facility.

Other conditions/special conditions including requirement of Bangladesh Bank approved be highlighted.

Supporting Documents for processing credit proposal:

The branch manager while processing a credit proposal for Head Office approval must see that the proposal recommendation is based on following supporting documentation.

i. Credit report on the client

ii. Financial statements

iii. Spread sheet analysis

iv. Net worth analysis

v. Acceptable security details

Credit report on client is a prime requisite for assessing his/their creditability,

managerial ability and past historical records. This report should be updated when renewal of credit facilities are considered. Third party credit report/CIB report along with credit report on the client should be kept in the file at the branch.

Post-sanction process:

After the credit line proposal has been finally approved by the appropriate sanctioning authority in the Banks credit organization structure it enters the post sanction processing stage. At this stage the signed credit line proposals is returned to the branch/credit officers/following four further steps are to be taken by the branch manager before the borrower can use the credit lines that have been sanctioned to him. These steps are as follows:

- i. Convey offer/sanction letter to the borrower.
- ii. Branch credit officers perfect the security and charge documents considering the nature and the terms of facility and the securities and in accordance with laws of the land. Head office will provide guidance to branches from time to time in this regard. Where considered necessary advice of CBL's panel lawyers should be obtained.
- iii. An account number is allocated to the new credit facility.
- iv. The account record is set up and borrowers file is prepared.

When these four steps have been complied with, the post sanctioning process is completed and the borrower can draw on his account

Disbursement:

Disbursement of advance can take in the following different forms:

- 1. Loans:** Advance made in a lump sum repayable either on fixed installment basis or in lump sum having no subsequent debit except by way of interest, incidental charges, etc. is called a loan.
- 2. Overdrafts:** Advance in the form of overdraft is always allowed on a current account operated upon cheques. Within the sanctioned limit, the borrower can

overdue his account within a stipulated period.

3. Cash Credit: Cash credit as form of advance is a separate account by itself and is maintained in a separate ledger. The borrower may operate the account within stipulated limit as and when required.

4. Inland Bills purchased: Sometimes banks are to purchase bill of exchange to facilitate commercial transactions. In case of purchase and discounting of bills, the bankers credit the customers account with the amount of the bill after deducting his charges or discount.

5. Payment against documents (PAD): PAD is associated with import and import financing. The bank opening letter of credit is bound to honor its commitment to pay for import bills when these are for presented for payment provided that it is drawn strictly.

6. Loan against imported merchandise (LIM): When the importers fail to retire the documents or requests for clearance of goods, the outstanding under PAD or B/E is transferred to LIM.

7. Trusts receipts: Advance against a trust receipt obtained from the customers are allowed when the documents covering an import shipment are given without payment.

8. Long Term Loan: Long term loan is meant for setting up of a project/industrial undertaking i.e. financing for the development of the infrastructural facilities including procurement of the facilities.

Section Four

4.0 foreign Exchange

Definition of Foreign Exchange:

Foreign Exchange means foreign currency and it includes any instrument drawn, accepted, made or issued under clause (13), Article 16 of the Bangladesh Bank Order, 1972. All deposits, credits and balances payable in any foreign currency and draft, travels cheque, letter of credit and bill of exchange expressed or drawn in Bangladeshi currency but payable in any foreign currencies.

Foreign Exchange Act 1972, defines foreign exchange as foreign currency and includes deposits, credits, and balance payable in foreign currency as well as drafts, travelers cheques, letter of credit, bills of exchange drawn in local currency but payable in foreign currency”.

According to Dr. Paul Enzig, “Foreign Exchange is the system or process of converting one national currency into another and transferring money from the country to another.” Foreign exchange deals with foreign trade and foreign currency.

Definitions of Foreign Trade:

No country is self-sufficient in all goods. Some countries have special advantage to produce some items. Bangladesh can manufacture readymade garments easily due to lower cost of labor. So Bangladesh is exporting garments to USA where as USA is exporting machinery to bangladesh due to their favourable transaction to that item. These kinds of cross border transaction or exchange of goods are called foreign trade.

For conducting these foreign dealings the respective banks need authorization of the central bank. The respective Banks need “Authorized Dealer License” for conducting this foreign correspondence. The bank which holds this license is

called authorized dealer. Bangladesh Bank issues this license by seeing the Banks performance and also the parties that deals with.

Authorized Dealers:

Authorized dealer means-a Bank Authorized by Bangladesh Bank to deal in foreign Exchange under the Foreign Exchange Regulation (FER) Act 1947. But there are some persons or firms. Authorized by Bangladesh bank to deal in Foreign Exchange with Limited scope are called Authorized Money Changes. To get a license for authorization a bank will apply the general manager, foreign exchange policy department, Bangladesh bank, Head Office, Dhaka, complying the subsequent conditions:

The Bank must have adequate manpower trained in Foreign Exchange.

Prospect to attract reasonable volume of foreign exchange business in the desired location.

The bank meticulously complies with the instruction of Bangladesh Bank.

The bank will commit to deal in Foreign Exchange within the limit & will submit periodical returns as instructed by Bangladesh Bank.

Presently City Bank has 22 AD Branches through out the country.

Functions of Authorized Dealer:

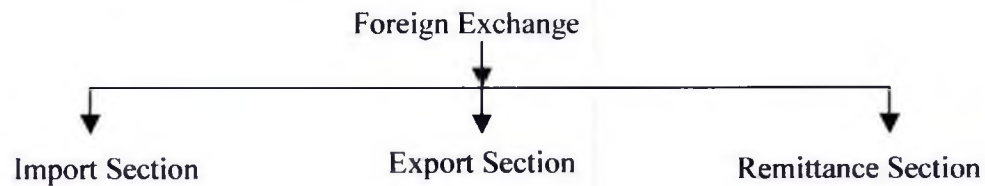
Authorized dealer can handle all kinds of Foreign Exchange transactions as per Foreign Exchange Regulation (FER) Act 1947 under the instruction of Bangladesh Bank. Following are the main functions of an Authorized Dealer:

- Exchange of Foreign Currencies
- To make arrangement with Foreign Correspondent.
- Buying & Selling Foreign currencies
- Handling of Inward & Outward Remittance
- Opening of L/C & Settlement of Payment
- Investment in foreign Trade.
- Opening & Maintenance of Accounts with foreign Banks under intimation to Bangladesh Bank.

- Export Documents handling.

Wings of Foreign Exchange:

A Bank's foreign exchange department has three definite wings through which foreign exchange transactions are conducted.



IMPORT SECTION

Introduction:

Import trade of Bangladesh is controlled under the import & Export control Act (IEC) 1950. Authorized Dealer Banks will import the goods into Bangladesh following import policy, public notice, F,E circular & other instructions from competent authorities from time to time.

Definition on Import:

Buying of goods & services from foreign countries for sales is considered as import. The person or organization who imports the goods & services from foreign countries is known as Importer and from which goods & services are imported is known as Exporter. In case of Import, the importers are asked by their Exporters to open a Letter of Credit (L/C). So that their payment against goods & services is ensured.

General Provision for import:

Regulation of Import-Import of goods under this order shall be regulated as under:

Banned list:

Banned goods are not allowed to import through the foreign exchange transaction. Such as Live Swine, Eggs of shrimps and prawns etc.

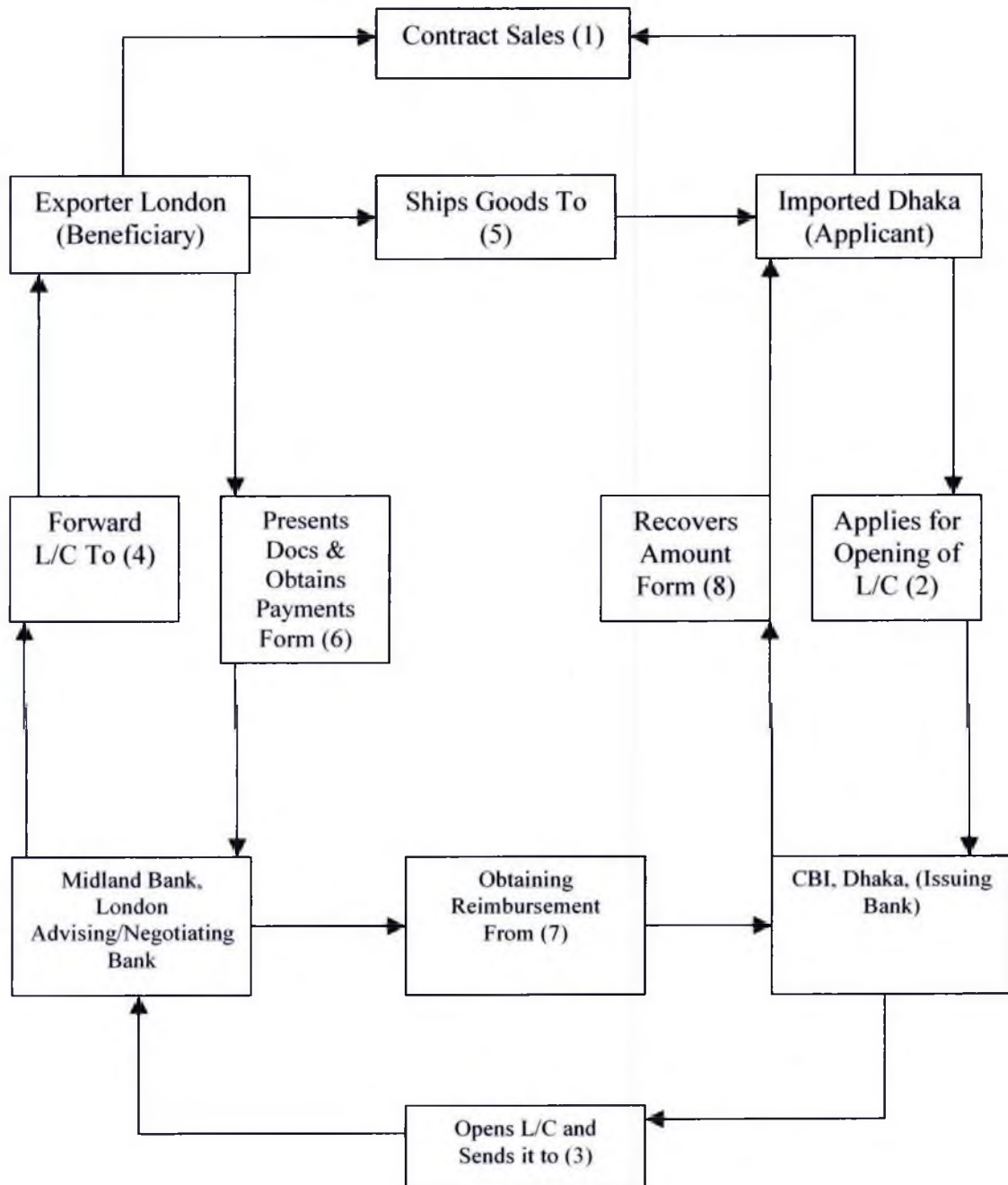
Restricted list: Any item which is restricted by the “Import Policy Order 1997-2002” in Annexure-1(b) shall be importable only on fulfillment of the conditions (b) specified therein against the item.

Letter of Credit (L/C)

Letter of Credit (L/C) is a payment guarantee to the seller by the issuing bank on behalf of the importer. In other words, it is a letter of the Issuing Bank to the beneficiary undertaking to effect payment under some agreed conditions. L/C is called documentary Letter of Credit. Because the undertaking of the issuing bank is subject to presentation of some specified documents. Through the L/C Buyers & Sellers enter into a contract for buying and selling goods/services and the buyer instructs his bank to issue L/C in favour of the seller. Here bank assumes fiduciary function between the buyer and seller.

Mechanism of L/C

The subsequent diagram brings out clearly the operation of L/C:



Classification of L/C

There are many kinds of L/C. Few of them are briefly discussed below:

i) Irrevocable L/C:

Irrevocable L/C cannot be amended or cancelled without the consent of the beneficiary or any other interested parties.

ii) Revocable L/C:

It can be amended or cancelled by the Issuing Bank, without the consent of the beneficiary or any other interested parties, if it is not indicated in the L/C whether it is revocable or irrevocable then the L/C to be treated as Irrevocable.

iii) Add-Confirmed L/C:

When a third bank provide guarantee to the beneficiary to make payment, if issuing Bank fail to make payment, the L/C a third Bank adds their confirmation to the beneficiary, to make payment, in addition to that of issuing bank confirmed L/C gives the beneficiary a double assurance of payment.

iv) Clean Clause L/C:

It is a Normal Caused L/C without third Banks confirmation.

v) Revolving L/C:

It is an L/C, where the original amount restores after it has been utilized. How many times and how long the amount will restore must be specified in L/C.

For example, an L/C opened for USD 10,000,000 and shipment effected for USD 5,000,000 now the L/C restored for full value i.e. there is scope to effect full value i.e. there is scope to effect further shipment of USD 10,000,000. Revolving L/C may be opened to avoid difficulties of opining new L/C. This L/C isnot allowed in our present import policy.

vi) Transferable L/C:

If the word “Transferable” incorporated in an L/C, then the L/C is transferable. Transferable L/C can be transferred by the 1st beneficiary to the 2nd beneficiary.

But 2nd beneficiary cannot transfer it further to another beneficiary. Transfer may be done to more than one beneficiary partially, if not prohibited in the L/C.

vii) Clean Letter of Credit:

This is a commercial letter of credit wherein the Issuing bank does not ask any documents as evidence of execution of the deal under the L/C. Under the said L/C only Bill of Exchange may be negotiated or may be paid without any supporting documents. Clean letter of Credit is not permissible in our import policy.

viii) Documentary Letter of Credit:

On the basis of fund L/C may be classified as follows:

Back to Back L/C:

Back to Back L/C is backed by another Export L/C. Where Import of the goods to be made to execute the export L/C & payment of Back to Back Bills to be made normally from related export proceeds, the import L/C is called Back to Back L/C.

Different parties to a Documentary Credit:

Normally the subsequent parties are related to a documentary credit. Such as

The Issuing Bank:

This is the bank who issues Documentary credit on account of it's client.

The advising Bank:

This is a bank acting as Agent of the Issuing Bank, to advice the L/C to the beneficiary.

The confirming Bank:

This Bank gives the beneficiary a double assurance of payment. This is a third Bank undertake to make payment, to the beneficiary, if the Issuing Bank fail to make Payment.

Negotiating Bank:

This Bank provides value to the beneficiary against presentation of documents complying credit terms. Usually this is exporter's Bank who purchase the export

documents.

Reimbursing Bank:

This is a Bank acting as Agent of the Issuing Bank Authorized to make payment or to honour reimbursing claim of the Negotiating Bank.

The Transferring Bank:

If the L/C is transferable then the 1st beneficiary through a bank nominated by the Issuing Bank this bank is called the Transferring Bank.

The Applicant:

Importer or buyer is the applicant of a letter of credit. Applicant must be the client of the Issuing Bank.

The beneficiary:

Exporter or Seller of the goods is the beneficiary of a Letter of Credit.

Import Mechanism:

To import a person should be an importer. In accordance with Import & Export Control Act, 1950 the officer of chief Controller of Import & Export provides the registration (TRC) to the importer. After getting this person has to secure a letter of credit authorization from Bangladesh Bank. Then he 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 or applicant of the Letter of Credit.

Import Registration Certificate:

Import Registration Certificates are issued by the office of chief controller of imports and exports. Intending importers are to submit application to CCI & for registration along with required documents are as follows:

- Application
- Trade License
- Nationality Certificate
- Income tax certificate along with TIN
- Bank Certificate

Membership certificate from Trade Association Certificate of incorporation, Article and Memorandum of Association, Partnership Deed for partnership firm.

To obtain import registration certificate (IRC) the applicant will submit the following paper to the CCI & E through this nominated Bank.

- Questionnaire duly filled in & signed by the applicant
- Trade Licence
- Membership certificate from chamber of commerce or any other trade Association.
- Nationality Certificate.
- Income tax registration certificate.

Partnership deed/certificate of regulation with the register of joint stock companies where applicable.

On being satisfied, the CCI & E issues IRC obtain original copy of treasury challis for payment of registration fee.

Preliminary Steps for. Opening L/C:

Before opening the L/C' Bank will takes the subsequent steps:

Applicant to be Bank's Air Holder Bank will open the L/C on behalf of a person who has an account with the Bank. Unknown person will not be allowed to open L/C.

Registered importer: Before opening the L/C bank must confirm that the L/C applicant is a registered importer-or personal user, and the IRC of the importer has been renewed for the current year.

Permissible item: The item to be imported-must be permissible and not banned item. If the item is from conditional list, the condition-must fulfill to import the same.

Market Report: Bank will verify the marketability of the item & market price of the goods. Some times the importer may misappropriate the Bank's money through over invoicing.

Sufficient Security or margin: Price of some items fluctuates frequently. In case of those items Bank will be more careful to take sufficient cash margin or other security.

Business Establishment: Bank should not open an L/C on behalf of a floating businessman. The importer must have business establishment, particularly he must have business network for marketing the item to be imported.

Restricted country: Goods not to be imported from Israel.

Credit report of the beneficiary: If the amount of L/C in one item exceeds TK. 5.00 lack, supplier's credit report is mandatory. Bank will collect credit report of the beneficiary through its correspondent in abroad.

Application of the client to open the L/C:

The client will approach to open the L/C in Bank's prescribed form, duly stamped & signed, along with the following paper & documents: Such as
Indent / Pro-forma invoice.

Insurance cover note with money receipt.

LCAF duly filled in & signed.

Membership certificate from chamber of commerce / Trade Association.

Tax payment certificate (declaration).

IMP & TM form signed by the importer Charge documents

IRC, Pass book, Trade license Membership certificate & VAT registration certificate in case of new client.

Export L/C in case of back-to-back L/C.

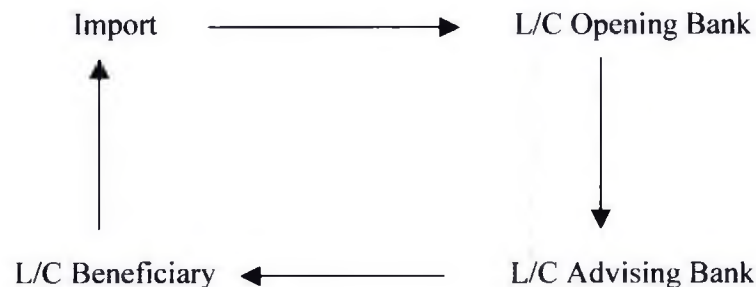
Permission from Ministry of Commerce:

If the goods to be imported under CIF (cost insurance & freight), then permission from ministry of commerce needs to be obtained. Creditability of the Client: In consideration of all the above points. If Bank becomes satisfied regarding the client then L/C may be opened on behalf of the client. Before opening the L/C

bank will issue & authenticate a set of LCAF in the name of the importer.

Advising the Import L/C:

Advising depicts the proof of authenticity of the credit to the seller/beneficiary. The advising process consists of forwarding the original credit to the beneficiary. Before forwarding the advising bank has to verify the signature of the L/C opening bank. In addition it ensures that the terms and conditions of the L/C are not inconsistent with the existing regulations. In such a case advising bank does not undertake any liability.



L/C advising Mechanism

Advising Configuration:

The confirming bank does' adding confirmation. Confirming bank is a bank, which adds' its eonfirmalioll to the credit, and it is dome at the request or the issuing bank. The confirming bank mayor may not be the advising bank. The advising usually does not it if there is not a prior arrangement" with the issuing bank. By being involves as a confirming agent the advising hank undertakes to negotiate beneficiary's bill without recourse to him. Presentation of the Documents.

The seller being satisfied with the terms and the conditions of the credit proceeds to dispatch the required goods to the buyer. Them he has to present the documents evidencing dispatching of goods to the negotiating bank on or before the stipulated

expiry date or the credit After receiving all the documents, the negotiating bank them checks the document against the credit. If the documents are found in order the bank will pay accept are negotiate to Bank. Then bank check the documents.

His usual documents are:

- Invoice
- Bill of lading
- Certificate of origin
- Packing List
- Shipping Advice
- Non negotiable copy of bill of lading
- bill of exchange
- Pre-shipment inspection report
- Shipment Certificate

Lodgment of Documents:

During scrutiny, if the documents are in order, the bank lodges the documents in PAD. The following steps are involved in lodgment:

First, all the particulars of the documents are entered in the PAD register' and PAD No. Seal is given-on all the copies of the received documents.

Convert the foreign currency into Bangladeshi currency

Reverse the contingent liability and entry made in the liability register

After getting the charge the shipping documents are stamped with PAD number & entered in the PAD register.

Intimation is give to the customer calling on the' bank's counter requesting retirement of the shipping documents.

Payment procedures of Import Documents

This is the most sensitive task of the Import department of any branch of bank. The official have to be very mush careful of while making payment. This task constitutes the following; Date of Payment: - Usually payment is made within seven days after the documents have been received. If the payment is become deferred, the negotiating bank may claim profit for making delay.

Preparing sale memo:

A sale memo is made at B.C rate to the customer. As the T.T & 0.0 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 message:

Message is transmitted to the correspondent bank ensuring that payment is being made.

Payments of the import bills:

Incase of Back to back issuance bills payment to be made on or before maturity date of the bill out of the realization export proceeds. In case of cash sight import bills, bank will make payment from its FC deposit account & will resized, the value of foreign currency from the client account,

In local office of CBL there are opened 215 Import L/C on an average in a month. And the branch does the job of lodgment 150 on an average in a month.

EXPORT SECTION:

Introduction:

The goods and services sold by Bangladesh to foreign households, businessmen and Government are called export. The export trade of the country is regulated by the Import and Export (control) Act, 1950. There are a number of formalities which an exporter has to fulfill before and after shipment of goods. The exporters from Bangladesh are subject to export trade control exercised by the Ministry of Commerce through Chief Controller of Imports Export (CCI & E). No exporter is allowed to export any commodity permissible for export from Bangladesh unless he is registered with CCI & E and holds validity Export Registration Certificate (BRC). The ERC is required to be renewed every year. The ERC number is to be incorporated on EXP forms and other documents connected with exports.

Functions of the Export Department:

The following are the main functions performed by the Export Department:

- Scouting of Export shipping Document.
- Follow-up for realization of Export Proceed
- All Correspondence relating to Export Department.
- Compliance of Audit & Inspection.
- Advising of Export E/Cs to the beneficiary.
- Authentication of L/C and Amendment from other Correspondent Bank.
- Transfer of Export L/C to the 2nd Beneficiary and issuance of notice of transfer to L/C issuing Bank.
- Recording of Export L/C particulars in Export E/C transfer Register.
- Realization of transfer changes.
- Issuance of proceeds realization certificates.
- And other works as & when directed by the manager and sub-manager.
- Certificate of EXP Forms.

- Posting of Tickets.
 - Lodgment of export bills.
 - Preparation of tickets relating to negotiation of documents.
 - Negotiation of Inland Bills.
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- Maintenance of all records related to FBP, FDBC and Inland Bills.
 - Balancing of FBP, FDBC and IPB & A/K Export A/Cs.
 - Preparation of statement and all returns to Bangladesh Bank and Head office (Weekly/Monthly/Quarterly).

Export letter of credit:

The other type of L/C facility offered by Local Office is Export L/C. Bangladesh exports a large quantity of goods and services to foreign households. Readymade textile garments (both knitted and woven), jute, jute-made products, frozen shrimps, tea are the main goods that Bangladeshi exporters export to foreign countries. Garments Sector is the largest sector that exports the lion share of the country's export. Bangladesh exports most of its readymade garments products to USA and European Community (EC) countries. Bangladesh exports about 40 % of its readymade garments products to USA. Most of the exporters who export through C'BL are readymade garment exporters. They open export L/Cs here; to export their goods which they open against the import L/Cs opened by their foreign importers.

Procedure of Export:

The export trade of the country regulated by the Imports & Exports (Control) Act, 1950. There are a number of formalities that an exporter has to fulfill before and after shipment of goods. These formalities or procedures are enumerated as follows -

Export Registration Certificate (ERC):

The exports from Bangladesh are subject to export trade control exercised by the Ministry of Commerce through Chief Controller of Imports & Exports (CCI&R). No exporter is allowed to export any commodity permissible for export from Bangladesh unless he is registered with CCI&E and holds valid ERC. The ERC is required to be renewed every year. The ERC number is to be incorporated on EXP (Export) Forms and other documents connected with exports.

The Export (EXP) form:

Foreign Exchange Regulation (FER) Act- 1947 prohibits export of any goods directly or indirectly to any place outside Bangladesh unless the exporter furnishes a declaration to the effect that the export value of goods has been or will be repatriated into the country within a period of time specified by the Bangladesh Bank. So, repatriation of export proceeds is mandatory for all exported goods or services. Accordingly, before shipment of goods an exporter must declare on Export form (Exp) prescribed by Bangladesh Bank and issued by the Authorized Dealer (Exporters Bank). The EXP forms are numbered serially and issued in quadruplicate. For delay in repatriation of export proceeds or non-realization of export proceeds, the exporters render themselves for action under Foreign Exchange Regulation Act 1947. Authorized Dealers (AD) and their officials who certify the export forms also render themselves for such action by the Central bank. An EXP Form usually contains the following particulars -

- Name and address of the Authorized Dealer;
- Particulars of the commodity to be exported with particulars and code no;
- Country of destination; V Port of destination;
- Quantity;
- L/C value in foreign currency;
- Terms of sale;
- Name and address of Importer/ Consignee;

- Bill of Lading/Railway Receipt /Airway Bill/Truck Receipt/Post Parcel Receipt no. and date;
- Port of Shipment/Post Office of Dispatch;
- Land Custom Post; Shipment Date;
- Name of the Exporter with, address;
- Registration number and date;
- Sector (public or private) under which the exporter fails.

Export Documents:

After due passing EXP, the exporter then execute shipment.. As evidence of export and as per terms of the export L/C, Contract, exporter must prepare document in order to get his payment and to facilitate release of goods by the buyer abroad. Document are of (2 (Two) types.

Some Vital commercial documents are:

- 1) Invoice/ Commercial Invoice
- 2) Bill of Lading/Airway bill/Truck Receipt
- 3) Packing/ weightment/ Measurement List
- 4) Certificate of origin
- 5) Pre-shipment Certificate
- 6) GSP Certificate issued by LPB.

Negotiation of documents:

If; the documents are found strictly as per the terms of LC i.e. if the documents are free from discrepancy or if the discrepancies are covered by indemnity of the party, bank may negotiate the export bill. As per article 10-b (ii) of UCPDC-500. Negotiate the giving of value for drafts and or documents by bank authorized to negotiate. Mere examination of document without giving of value does not constitute a negotiation. For negotiation of export bills, the OD sight export bill-buying rate prevailing of UK date of negotiation is applicable.

After negotiation of export bills, the documents are sent abroad usually to the LC opening bank-as per instructions of I.C Negotiating bank claim reimbursement of the proceeds from the bank as mentioned in the letter of credit. Bank also advise the reimbursing bank to credit head offices "NOSTRO Account" maintained with the correspondents in abroad. Accordingly, bill proceeds are credited to Head office's account with foreign correspondent. After credit of the proceeds branch adjust the amount which was paid at the time of negotiation by debiting their lead office. If documents are found discrepant these are sent on collection basis with the instruction to credit the proceeds as above. After such collection of the process the exporter's account is credited by debiting Head office account by the branch.

Reimbursement:

The simple meaning of the word Reimbursement is repayment or to payback. In international trade it is used in L/C operation for settlement of payment. It means arrangement of repayment by the opening bank of an L/C against which negotiating bank already made payment to the beneficiary. Opening bank make such repayment through another bank in the beneficiary's country or any third country with which opening bank maintained A/C, this bank is called Reimbursing Bank,

Article - 19 of UCPDC, ICC publication 500 of 1993 describes details of Reimbursement arrangement, obligations of the issuing bank for timely reimbursement claiming of arrangement, obligation of the issuing bank for timely reimbursement claiming of reimbursement by the claiming bank and charges there against. It is the responsibility of the Issuing bank to provide reimbursement authorization to Reimbursing bank in good time.

Payment Claiming bank shall not be required to submit any certificate of compliance of Credit terms at the time of reimbursement claim; Issuing bank will not be released if reimbursement is not made by the reimbursing bank

Issuing bank shall be responsible for any loss of interest if reimbursement is not provided on first presentation of reimbursing bank's charge is for the account of issuing bank if otherwise not specified in the Credit. Reimbursement is also guided by "ICC Uniform Rules for Bank-to-Bank Reimbursements under Documentary Credits (URR-525).

Export Financing:

To meet up the cost of the goods to be exported, the exporter may require Bank finance. Besides, he may require finance for go-down rent, electricity bill, freight etc. Even after shipment of the goods, exporter may require Bank finance to meet-

up his current expenditure up to repatriation of the export proceeds. There are two types of export finance:

i) Pre-shipment Finance:

Pro-shipment investment is finance, allowed by a Bank to an exporter, to meet the cost up to the shipment of the goods to overseas buyer. The purpose of the investment is to purchase Raw materials or finished goods or manufacturing processing. Packing and transporting the goods.

ii) Post -Shipment Finance:

There is a time gap between export of the goods and realization of the proceeds. So exporter may require finance in that period to continue his business. So bank may finance against export documents ensuring the following:

- a. Export documents comply with the credit terms.
- b. Buyer is bonafide
- c. Party's past performance is satisfactory
- d. Any other security in case of export under contract.

Settlement for Export Claims:

In terms of export policy order of exchange control Manual Bangladesh Bank, produces of export bills must be repatriated within a maximum period of four months, 'this period may be extended by Bangladesh Bank on reasonable grounds, it has already been pointed out that side by emphasis has also been given on settlement of the foreign buyer's claims arising out of exports, its quick settlement of export claims is an indirect incentive to the overseas buyer for our products, If the buyer becomes reluctant to accept discrepant documents without discount like may allow discount on the request of the exporter, if discount is less than 10% of the export value, subject to post facto approval from export promotion Bureau. If the discount is more than 10% prior approval is required. Foreign commission, brokerage or other trade charges related to export may be allowed up

to 5% without Bangladesh bank permission, but for more than 5%, permission is required. In case of export of books, journals, and magazines, 33% discount is allowable. Export claim may be deducted from the bill value or may be remitted against claim after full realization of the export proceeds.

FOREIGN REMITTANCE SECTION:

Inward Foreign Remittance:

Inward remittance covers purchase of foreign currency in the form of foreign TT, DD and bills, TCs etc. sent from abroad favoring a beneficiary in Bangladesh. Purchase of foreign exchange is to be reported to Exchange control Department of Bangladesh Bank Form-C.

Outward Foreign Remittance:

Outward remittance covers sales of foreign currency through issuing foreign TT, Drafts, Travelers Cheque etc. as well as sell of foreign exchange under L/C and against import bills retired; Sale of foreign exchange is reported to Exchange Control Department of Bangladesh Bank on form 1/M.

Instruments of Foreign Remittance Department

The instruments are as follows:

1. Travelers Cheque (TC)
2. Foreign demand draft (FDD)
3. Endorsement of USS in passport.

Conclusion

In retrospect of the marvelous growth of FI revenue over the previous years and contemplating the intensity of competition yet 1.0 conic, it is crucial for CBL to rethink its strategies and marketing plan to sustain the growth of FI revenue. Corporate banking service providers domiciled in Bangladesh, are expected to be fighting for a bigger pie, as the growth prospect of the country's corporate banking business is limited. One of the ways to achieve that objective is to maximize the revenue generated from local clients and introduces more local products. for this **SMK** loan and **CITYCARI**) are the best opportunities for City Bank, Because, there is a huge potentials for inbound revenue. City Bank should DC more focusing on these two products. Under the present leadership of the MD Mr. Abbas Uddin Ahmed, City Bank is expected to be the leading bank in the country in 2008. The bank is heading towards that destination.