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Mutual Trust Bank Ltd.
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Internship Report ON

‘Procedure of Letter of credit (LC), Import, Export and Local trade of Mutual Trust Bank.’

Submitted to:

Saif Hossain

**Faculty of BRAC business
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Submitted by:

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Date of Submission: 30.05.13

LETTER OF TRANSMITTAL

May 30, 2013

Mr.Saif Hossain

Lecturer,

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Subject: Submission of Internship Report on “Procedure of Letter of credit (LC), Import, Export and Local trade of Mutual Trust Bank.”

Sir,

It is my great pleasure to submit you my internship report on **“Procedure of Letter of credit (LC), Import, Export and Local trade of Mutual Trust Bank”**. I have tried my best to complete this report properly following the guidelines provided by you and concerned organization. I have confidence that the internship program has increased both of my practical experience and theoretical knowledge to a great extent. I will be obliged to answer any query that may arise during the evaluation of this report.

So, I am fervently requesting and hope that you would be kind enough to accept my report and oblige thereby.

Sincerely Yours

Name: Sakha Chowdhury.

ID: 08304099

Dept: BBS

BRAC University.

ACKNOWLEDGEMENT

This is high time for me to convey my deepest gratitude and sincere submission to the Almighty God for giving me the opportunity to accomplish such a huge task of preparing this report.

First of all, I am very much grateful to **Mr. Saif Hossain**, Lecturer of BRAC Business School at BRAC University, for guiding me to complete my internship program. I am also highly indebted to him for his scholarly and constructive suggestion which was of much assistance to prepare this report on “**Procedure of Letter of credit (LC), Import, Export and Local trade of Mutual Trust Bank**”.

During the course of internship program I have got cooperation from a number of employees from the concerned organization. Specially, I would like to express my gratitude to **Mr. Shariar Alam (Assistant Vice president)**, **Mr. Md. Sharif Uddin Ahmed (Assistant Vice President)** and also **Mr. Zakir Hossen (Assistant Vice President)** for guiding me to prepare the report. I apologize to the people whose names that I have not mentioned, but their contribution is highly appreciated by me.

In the process of preparing this report I received genuine cooperation from number of individuals whose names are not possible to mention in this report but I would remember them with my heartfelt appreciation and gratitude.

I have so far given my best effort to prepare and represent the report according to instruction of my honourable supervisor. I hope my endeavour will be beneficial to the audience and urge for exonerate eye for any mistake or error found in the report.

Finally, I would like to thank my parents whose influence and inspiration has enabled me to complete this report.

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EXECUTIVE SUMMARY

Financial institutions have very wide range of activities in the economy of a country. Banks are the most important one in the financial sector as they play a very crucial role for the economy. Banking business mainly maintains flow of funds from depositors to investors. In doing so, banks need to collect deposit from the depositors and then distribute those as loan to the investors. Besides, banks provide assistance in international trade, money transfer, collection and payment of utility and other bills, etc.

This report is the very effective outcome of forty five days internship program. It tells the picture of export import Practices followed by The Mutual Trust Bank Limited (MTBL). This report is the conglomeration of a comprehensive and practical exposure to the field of export import Practices followed by Mutual Trust Bank Limited.

Internship program is the most significant part for completion of BBA program. After completing the academic courses I was placed in MTBL in order to complete my internship program. MTBL is a private Commercial Bank in Bangladesh, which plays a vital role in financial sector.

The internship report has been prepared on “**Procedure of Letter of credit (LC), Import, Export and Local trade of Mutual Trust Bank**”. Bank has a significant role in the economic development of the country. The successful banking business ensures the growth of the economy by the effective uses of the funds. In order to developing the national economy, banks keep in mind going for lending, maintaining safety, liquidity & profitability.

The report has been segregated into eight separate chapters for the convenience of the reader. Chapter 1 deals with the organization part of the Mutual Trust Bank Limited. Chapter 2 gives an idea about the nature of the job and responsibilities of the job and Critical observations and recommendations. Chapter 3 describes Report Summary and Description of the project. Chapter 4 is describing overall import export situation of Bangladesh from 2002 to 2011. Chapter 5 includes Local Trade, Back to Back L/C procedure and services of MTBL, chapter 6 includes the import pattern, financing procedure & some graphical presentations and chapter 7 contains Export pattern and & some graphical presentations chapter eight contains trend Analysis of 2 years of L/C of MTBL, Chapter 9 is told about commission income from MITS. Chapter 10 contains some problem of International trade at MITS Chapter 11 is recommendations, Findings and Chapter 12 is conclusion. Bibliography and appendices are enclosed at the end to help the reader to gain a detailed idea.

All over the project I have tried to maintain the structure which I have got from my honorable faculty and I have tried to include all of those findings which were directly or indirectly related to my research. It was a great knowledge sharing time with my colleagues and my customers. I have enjoyed my internship period a lot.

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Over view of Mutual Trust Bank limited



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1. MUTUAL TRUST BANK LTD

In the backdrop of economic liberalization and financial sector reforms, a group of highly successful local entrepreneurs conceived an idea of floating a commercial bank with different outlook. For them, it was competence, excellence and consistent delivery of reliable service with superior value products. Accordingly Mutual Trust Bank Ltd. was created and commencement of business started on September 29, 1999. The sponsors are reputed personalities in the field of trade and commerce and their stake ranges from shipping to textile and finance to energy, etc. As a fully licensed commercial bank, Mutual Trust Bank Ltd. is being managed by a highly professional and dedicated team with long experience in banking. They constantly focus on understanding and anticipating customer needs. As the banking scenario undergoes changes so is the bank and it repositions itself in the changed market condition.

Mutual Trust Bank Ltd has already made significant progress within a very short period of its existence. The bank has been graded as a top class bank in the country. It has already occupied an enviable position among its competitors after achieving success in most of the areas of business operation.

1.2 Mutual Trust Bank Limited in the Banking Area of Bangladesh

The banking sector of Bangladesh comprises of four categories of scheduled banks. Commercial banks are again divided into three categories; &MTBL belongs to the third generation bank.

1.3 AN OVERVIEW

Mutual Trust Bank Ltd, a new generation private commercial bank strives to consolidate its position among the top banks in the country by offering competitive services and products. It was incorporated in Bangladesh in the year 1999 as a banking company under the Companies Act, 1994. All types of commercial banking services are provided by the bank within the stipulations laid down by the Bank Companies Act 1991 and as directives received from Bangladesh Bank from time to time.

The bank has now 86 branches and 14 SME (Small and Medium sized Enterprises) service centers. The Bank operates through its Head Office situated in the Gulshan area of Dhaka. They are also looking forward to ten more branches and five more SME service centres to be added by the end of this year.

The bank carries out international operations through a global network of foreign correspondents banks. MTBL is also a member of SWIFT community as well. Their real time online banking facilities gave them a pioneer role among its competitors.

The bank floated its shares in 2003 to the general public and was subsequently listed with Dhaka Stock Exchange Ltd and Chittagong Stock Exchange Ltd.

As envisaged in the Memorandum of Association and as licensed by the Bangladesh Bank under the provisions of the Companies Act 1991, MTBL started its banking operations and entitled to carry out the following types of banking business:

- ✓ All types of Commercial Banking Activities including Money Market operations.
- ✓ Investment in Merchant Banking Activities.
- ✓ Investment in Company Activities.
- ✓ Financiers, Promoters, Capitalists etc.
- ✓ Financial Intermediary Services.
- ✓ Any related Financial Services.

1.4 COMPANY HISTORY

It started its operations on 24 October 1999 with an authorized and paid up capital of Tk 1,000 million and Tk 200 million respectively. The capital is divided into ordinary shares of Tk 100 each. Soon in December 2000, the bank total equity and reserve funds grew to Tk 208.48 million and Tk 8.48 million respectively.

The bank is a Bangladeshi joint venture company with equity participation from Advanced Chemical Industries Ltd., East West Properties Development Ltd. and Associated Builders Corporation Ltd. Previously the bank had its head office at Dhaka and started with only 4 branches. The total number of employees of the bank was 68.

The management of the bank was vested in an 18-member board of directors, including representatives of the 3 sponsor firms. The managing director is its chief executive.

Though at present the bank conducts all types of commercial banking activities including foreign exchange business and other financial services, during the first two years of operations, the bank's main focus was only on the delivery of personalized customer services and expansion of its clientele base.

On 31 December 2000, the total deposits of the bank stood at Tk 1,673.63 million. The deposit-mix comprised short-term deposits, savings deposits, current deposits, fixed deposits, deposits under special schemes and other deposits. In 2000, the bank introduced two deposit products in the market namely, Save Every Day and Brick by Brick. These two schemes attracted huge pool of depositors into the new bank due to its special features.

Total loans and advances of the bank stood at Tk 602.32 million on 31 December 2000. Trade finance was the main focus of lending but import and export finance as well as working capital finance for industrial units was also major lending areas. In its lending policy, the bank gave priority to the private sector and it is the same as yet. It introduced consumer credit facilities for the professionals, service holders, students, and teachers to help them improve their standard of life. However MTBL had no classified loan upto the end of 2000.

During 2000, its foreign exchange business amounted to Tk 2,071.57 million, which comprised imports servicing (Tk 1,533.80 million), exports financing (Tk 507.34 million), and remittance facilities (Tk 30.43 million). The bank established correspondent relationships with 14 reputed banks at various foreign financial centers.

In December 2000, the total assets of the bank were valued at Tk 2,444.79 million. Assets sprung from off-balance-sheet items were Tk 446.7 million which changed the total financial look of the firm. The bank earned a good amount of interest incomes through treasury functions and by timely placement of surplus funds in call money market.

During 2000, the total operating income of the bank was Tk 178.20 million and its operating expenses were Tk 158.02 million which resulted in operating profits of Tk 20.18 million.

The net profit after tax had been divided as follows. Tk 2.80 million was transferred to Statutory Reserves and the remaining Tk 5.59 million to General Reserves. —The bank reached break even within only 67 days after it commenced business.

1.5 COMPANY OBJECTIVE

The objective of the Mutual Trust Bank Limited is specific and targeted to its vision and to position itself in the mindset of the people as ‘a bank with difference’. And to bring its objectives to reality they have arranged to devote in the following issues. They are:

- ✓ To mobilize the savings and channeling it out as loan or advance as the company approve.
- ✓ To establish, maintain, carry on, transact and undertake all kinds of investment and financial business including underwriting, managing and distributing the issue of stocks, debentures, and other securities.
- ✓ To finance the international trade both in import and export.
- ✓ To carry on the foreign exchange business, including buying and selling of foreign currency, traveler’s cheques issuing, international credit card issuance etc.
- ✓ To develop the standard of living of the limited income group by providing Consumer Credit.
- ✓ To finance the industry, trade and commerce in both the conventional way and by offering customer friendly credit service.
- ✓ To encourage the new entrepreneurs for investment and thus to develop the country’s industry sector and contribute to the economic development.

1.6 MISSION

—We aspire to be the most admired financial institution in the country, recognized as dynamic, innovative and client focused company that offers an array of products and services in the search of excellence and to create an impressive economic value.¶

VISION

—To be the bank of first choice by creating exceptional value for our client, investors and employees.‖

1.7 STRUCTURE OF MTBL

The organization structure and corporate of Mutual Trust Bank Limited (MTBL) strongly reflects its determination to establish, uphold and gain a stronger footing as an organization which is customer-oriented and transparent in its management.

The Bank is being managed by highly professional people having wide experience in domestic and international Banking.

The present Managing Director Mr. Anis A Khan has long experience in domestic and international Banking. The Bank has made significant process within a very short time due to its very competent Board of Directors, dynamic management and introduction of various customer friendly deposit and loan products.

1.7.1 Board of Directors

In Mutual Trust Bank Limited, the board of directors has been conceived as the sources of all power headed by its chairman. It is the legislative body of the bank board can delegate its power and authority to professionals, but cannot delegate, relinquish or avoid their responsibilities. The board of directors of the bank consists of 13 members who are reputed business personalities and leading industrialists of the country.

1.7.2 Hierarchy of the Board of Directors

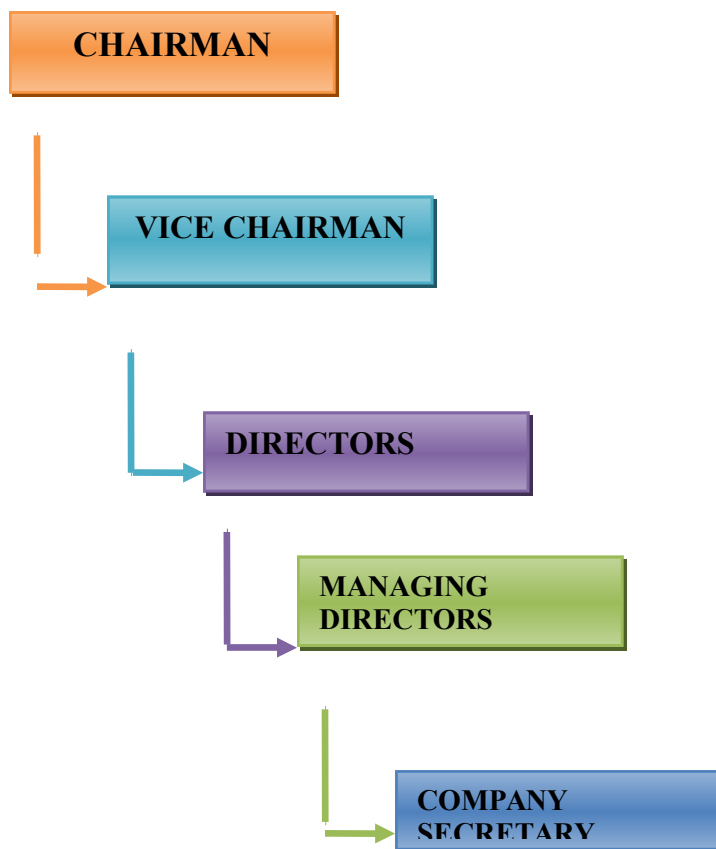


Figure: Hierarchy of the Board of Directors

1.8 TYPES OF COMMITTEES

1.8.1 Board Committees

The Board of Directors who also decides on the composition of each committee determines the responsibilities of each committee.

1.8.2 Executive Committees

All routine matter beyond delegated powers of management are decided upon by or routed through the Executive Committee, subject to ratification by the Board of Directors.

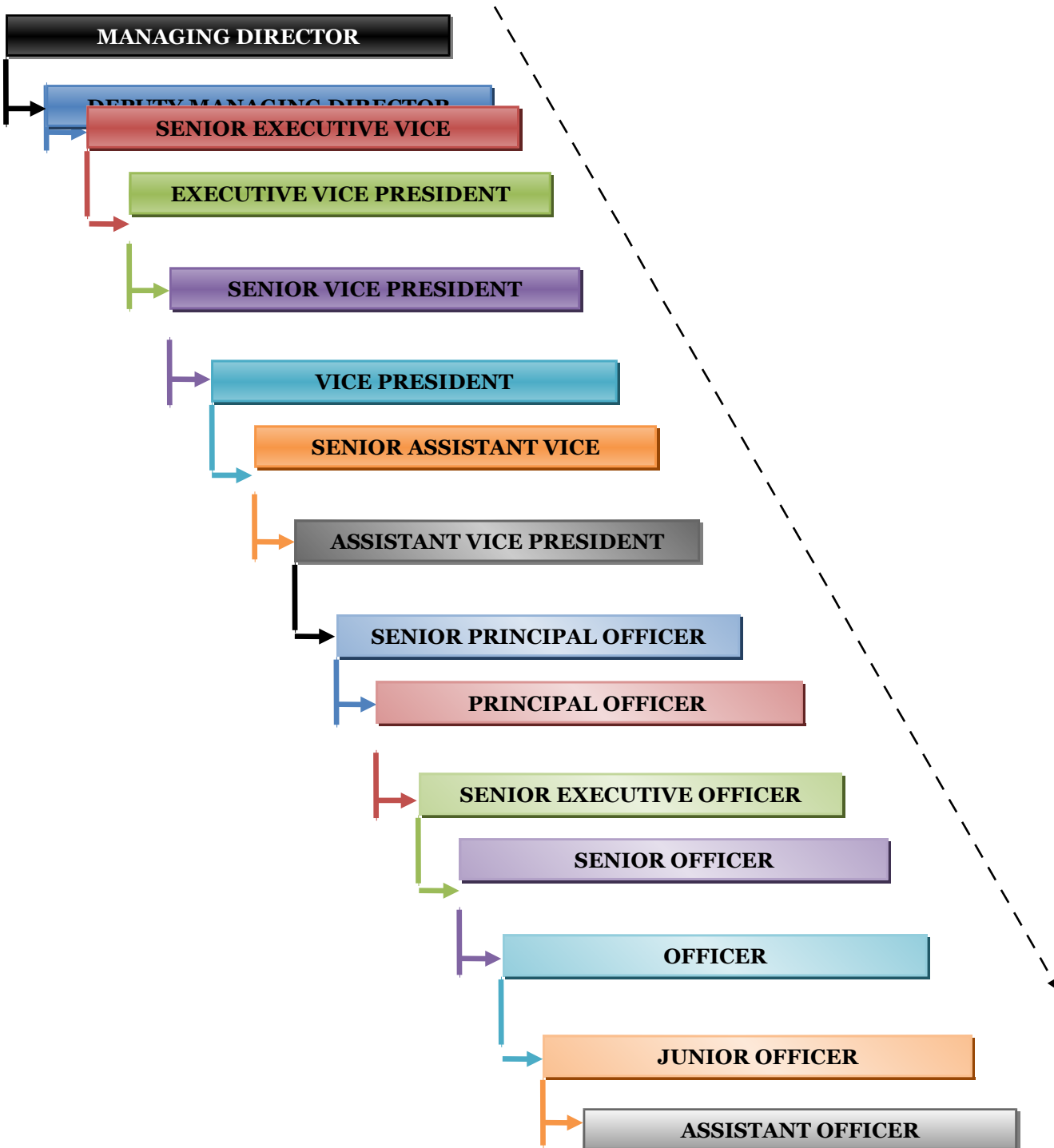
1.8.3 Policy Committee

All mater relating to the principles, policies, rules, and regulation, ethics etc. for operation and management of the bank are recommended by the Committee to the Board of Directors.

1.8.4 Management

The management of the bank is vastly on a Board of Directors, for overall supervision and directions on policy matters by the board. The power of general supervision and control of the affairs of the bank is exercised by the president and managing director of the bank who is also the chief executive officer of MTBL. Above all, the bank will be manned and managed by a galaxy of talented professionals proficient in their individual fields and dedicated to the cause of the bank.

1.9 MANAGEMENT HIERARCHY



1.10 DEPARTMENTS

It would be very difficult to control the system effectively, if the jobs are not organized considering their interrelationship and are not allocated in a particular department. If the departments are not fitted for the particular works there would be random situation and the performance of a particular department would not be measured. Mutual Trust Bank Limited has done this work very well. There are -

- MDs Secretariat

- Board Division
- Internal Control & Compliance Division
 - ICC Audit Department
 - ICC Compliance Unit
 - ICC Monitoring Unit
- Human resource Division
- General Services Division
 - Security & Printing Stationery
- Financial Administration Division
 - Reconciliation Department
 - MIS Department
- Credit Division
 - CIB Department
 - Syndication Department
 - Credit Processing & Approval
- International Division
 - Correspondent Banking Dept.
 - Remittance Department
 - SWIFT Department
- Merchant Banking Division
- Card Division
- SME Division
- Treasury Department
- Banking Operations Department
 - Anti Money Laundering
 - Test Key Department
- Corporate Banking Department
- Credit Administration Department
- Credit Monitoring Cell
- Credit Recovery Cell
- ID Department
- Business Development & Marketing

- Public Relations Department
- Share Department
- Engineering Department
- Training Institute

1.11 BRANCHES

Mutual Trust Bank Limited is a fast growing commercial bank in our country. It has established a good operating network throughout the country. It has 30 Branches throughout the country till now.

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1.12. ARRAYS OF SERVICES OF MTBL

1.12.1. Consumer Banking

—We aim to satisfy all clients, regardless of how big or small they may be- this is the motto of consumer banking sectors 'officials of MTBL. Individuals are counseled on the best type of accounts suitable to them such as Current, Savings, Short Term Deposits, Fixed Deposits, Consumer Asset and Liability Products, etc.

Apart from the conventional banking operations MTB strives to introduce an array of products and services and already launched a number of consumer banking products with the aim of popularizing consumer banking operations and offer higher return to its clients. The most popular schemes offered are:

1. Brick by Brick Savings Scheme
2. Monthly Benefit Plan
3. Save Everyday Plan
4. Children's Education Plan
5. Consumer Credit Scheme
6. Best Invest Plan

1.12.2. FOREIGN TRADE

MTB provides a wide range of banking services to all types of commercial concerns such as Import & Export Finance and Services, Investment Advice, Foreign Remittance and other specialized services as required. Although we are a private commercial Bank, we have a strong global network that helps us to undertake international trade smoothly and efficiently.

1.12.2.1. Import Business

Mutual Trust Bank supports its customers by providing facilities throughout the import process to ensure smooth running of their business. The facilities are:

- a. Import Letter of Credit
- b. Post Import Financing (LIM, LTR etc)
- c. Import collection services & Shipping Guarantees

1.12.2.2. Export Business

Mutual Trust Bank offers extra cover to its customers for the entire export process to speed up receipt of proceeds. The facilities are:

- a. Export Letters of Credit advising
- b. Pre-shipment Export Financing
- c. Export documents negotiation
- d. Letters of Credit confirmation

1.12.2.3. Remittance

Mutual Trust Bank provides to its customers the following services:

- a. Inward/ Outward Remittance Services
- b. TT/ DD Issue
- c. DD/ Cheque collection
- d. Endorsements
- e. Travelers Cheque Issuance

1.13 Correspondent Banking

The objective of our correspondent banking operations is to strengthen our existing relationships with foreign banks and financial institutions around the globe as well as exploring new relationships. In addition to that, we provide assistance in marketing the products of the correspondent banks.

At present MTB is maintaining relationships with 30 (thirty) foreign correspondents and the number is growing every day. Currently the bank has 18 (eighteen) NOSTRO A/Cs with large foreign banks abroad. The bank is a "SWIFT" member and its Bank Identification Number or BIC is '**MTBL BDDH**'

1.14 REMITTANCE SERVICES

Mutual Trust Bank maintains a strong network with the Exchange Houses worldwide for ensuring better remittance services for its customers. The Bank having a network of 30 branches has established remittance arrangements with a number of exchange houses to facilitate wage earners to remit their money to Bangladesh. The following is the list of exchange houses having arrangement with al Mutual Trust Bank Ltd.

Exchange House Name	Service Available	Presence
UAE Exchange Centre LLC web: http://www.uaexchange.com	1. Taka Draft Arrangement 2. EFT Using XPIN 3. TT Arrangement	Global
Wall Street Exchange Centre LLC	1. TT Arrangement	UAE
Instant Cash Worldwide Ltd.	1. Taka Draft Arrangement	Global Locations List
Al Ahalia Money Exchange Bureau	1. TT Arrangement 2. Taka Draft Arrangement	UAE
Route of Asia Money Exchange Ltd.	1. TT Arrangement	UK
Bangladesh Money Transfers (UK) Ltd.	1. TT Arrangement	UK
Instant Exchange UK Ltd.	1. TT Arrangement	UK
Moneylink UK Ltd. web: http://www.moneylinkuk.com/mtb	1. TT Arrangement	UK
Trust Exchange Co. W.L.L.	1. Taka Draft Arrangement 2. TT Arrangement	Qatar

Table 1: MTBL's Network of Exchange House

1.15 Web

The Internet has brought about a revolutionary change in the world leading to convergence of communication and computing technologies. In order to provide round the clock and up to date information on the Bank to the trade and business communities worldwide, the IT Team of Mutual Trust Bank Limited has developed a web for the Bank. It can be accessed under the domain name: www.mutualtrustbank.com

1.16 SWIFT



The Bank has become the member of SWIFT Alliance Access, a multi-branch secure financial messaging system provided by the Society for Worldwide Inter-bank Financial Telecommunication [SWIFT], Belgium. With the activation of the SWIFT system the Bank enjoys instant, low-cost, speedy and reliable connectivity for L/C transaction, fund transfers, message communication and other worldwide financial activities.

1.17 PRODUCTS OF MTBL

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1.18 AT A GLANCE

Figure 01 illustrates total asset of Mutual Trust bank Ltd. Which is in an increasing trend from year to year? But the growth is higher in 2008-2009 & slower in 2009-2010. And in 2010-11 its increases much then the earlier years.

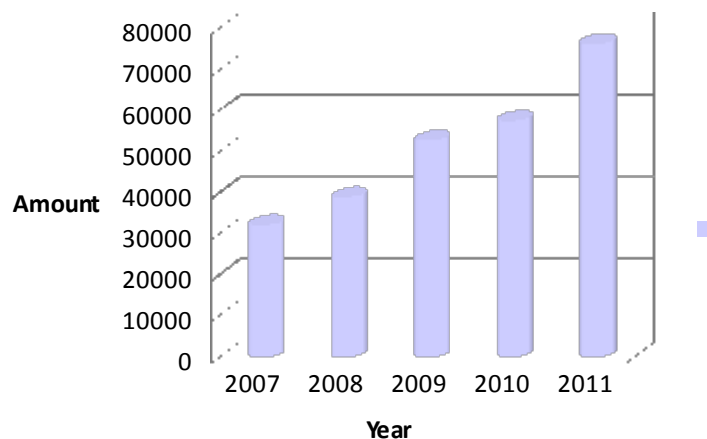


Figure 1: Total Asset

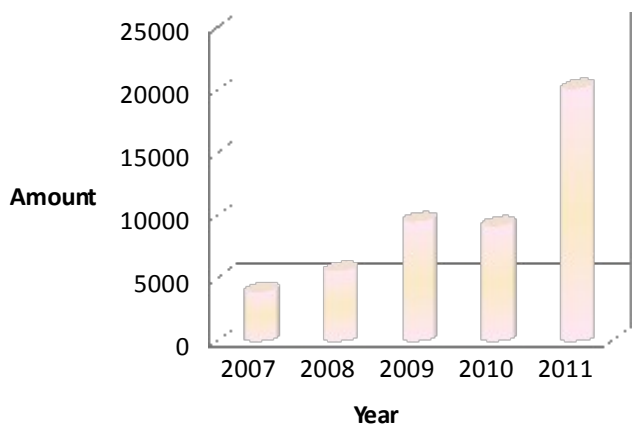


Figure 2 illustrates total investment of mutual trust bank Ltd. Total investment of MTBL fluctuates over the year. Its in increasing trend from 2007-09, decreased in 2009-10 Year and again increases in 2010-11 at a huge amount.

Figure 2: Total Investment

Figure 3 indicates total no. of branches from 2007-11. It's in increasing trend all the years. This is an indication of banks rapid expansion from its inception.

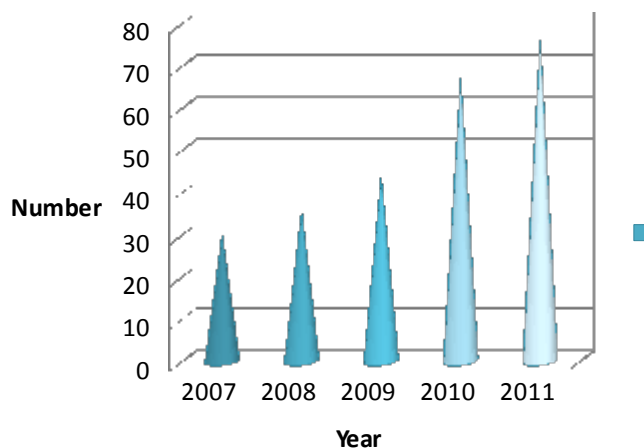


Figure 3: No. of Branches

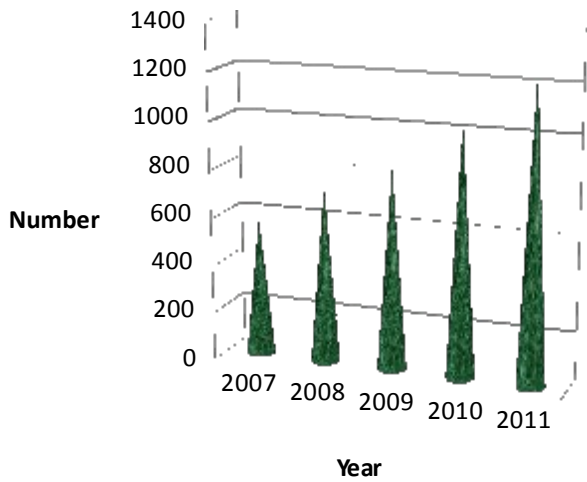


Figure 3 indicates total no. of employees from 2007-11. It's in increasing trend all the years. This is an indication of banks rapid increase in manpower for achieving its goal.

Figure 4: No. of Employees

Figure 5 illustrates total deposits against total loans and advances. Total deposit is all time higher than total loans and advances. It is a mandatory requirement for minimizing risk and protecting depositors' interest. Both of them are in an increasing trend over the year.

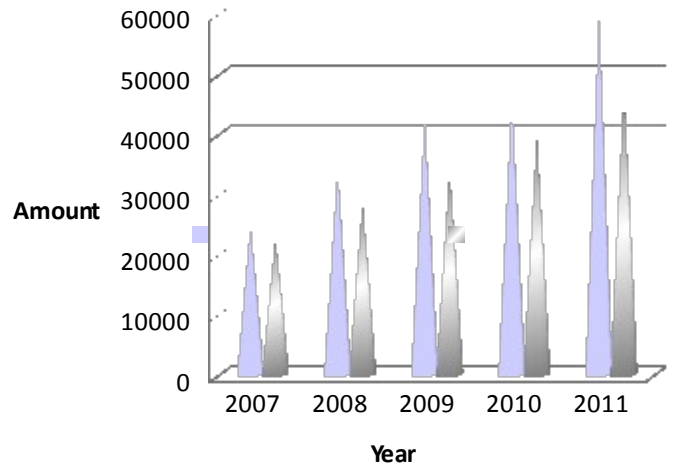


Figure 5: Total Deposit, Loans & Advances

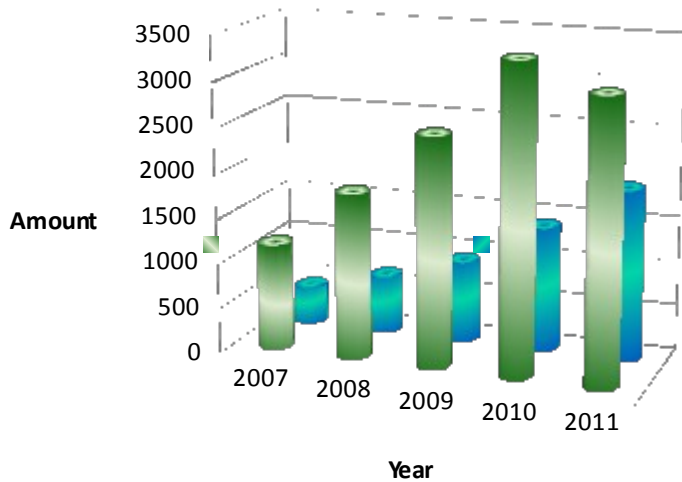


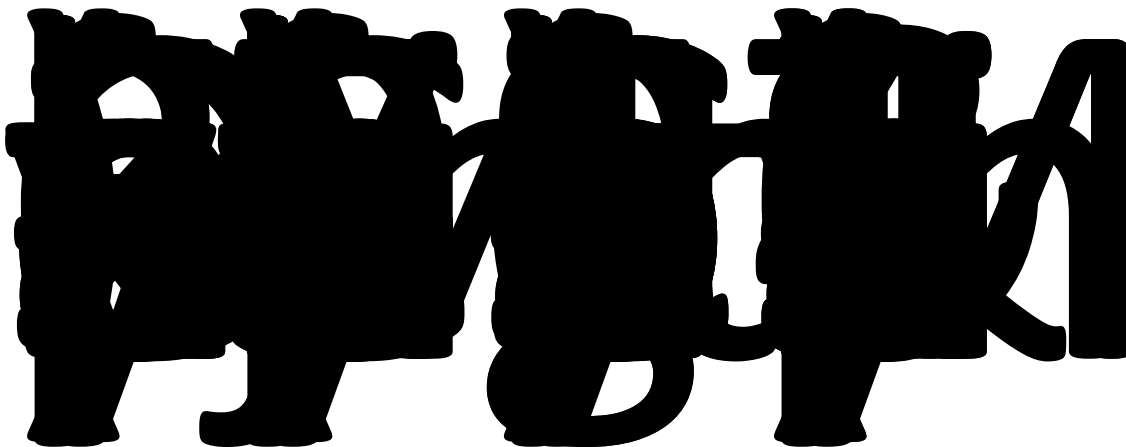
Figure 6 illustrates total operating income against operating expenses. Total operating income is higher than total operating expenses in all the year, is higher in 2009-10. Higher operating income indicates its profitability.

Figure 6: Operating Income & Expendit

1.19 MUTUAL TRUST INTERNATIONAL TRADE SERVICE

Mutual Trust International Trade Service started its journey at July 1, 2011 by MITS Dhaka center. It is a trade service division of Mutual Trust Bank Ltd. Here all types of foreign activities and foreign banking activities are performed. MITS of Mutual Trust Bank Limited plays a very important role in effecting foreign exchange transaction of a country. Mainly transaction with overseas countries is respect of export and import comes under the preview. Foreign exchange affected, central bank records all sorts of foreign exchange transaction and therefore, transaction effected by the Mutual Trust Bank Limited. MITS plays a vital role to earn bank's maximum profit. This department is classified according to their activities.

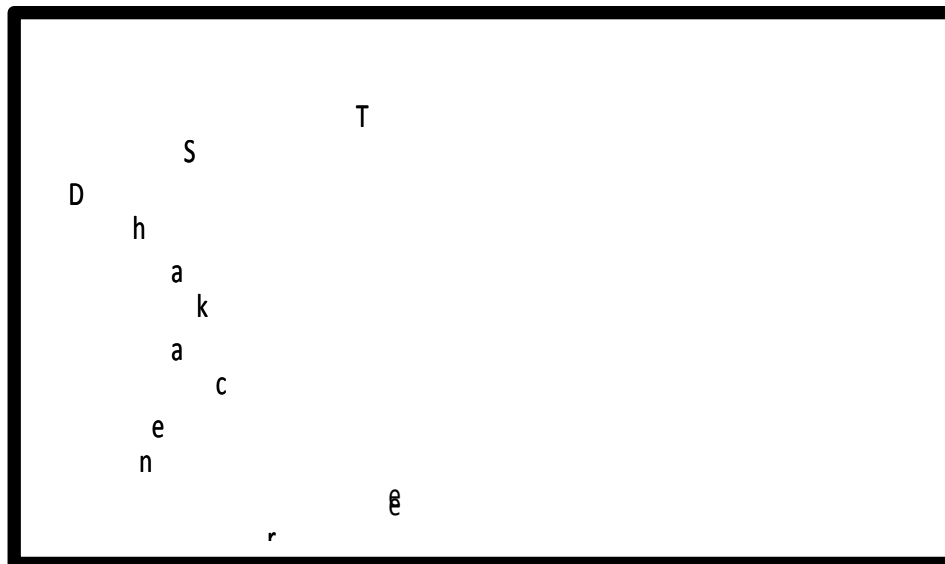
There are five MITS centers & more than 40 employees are working in these centers.



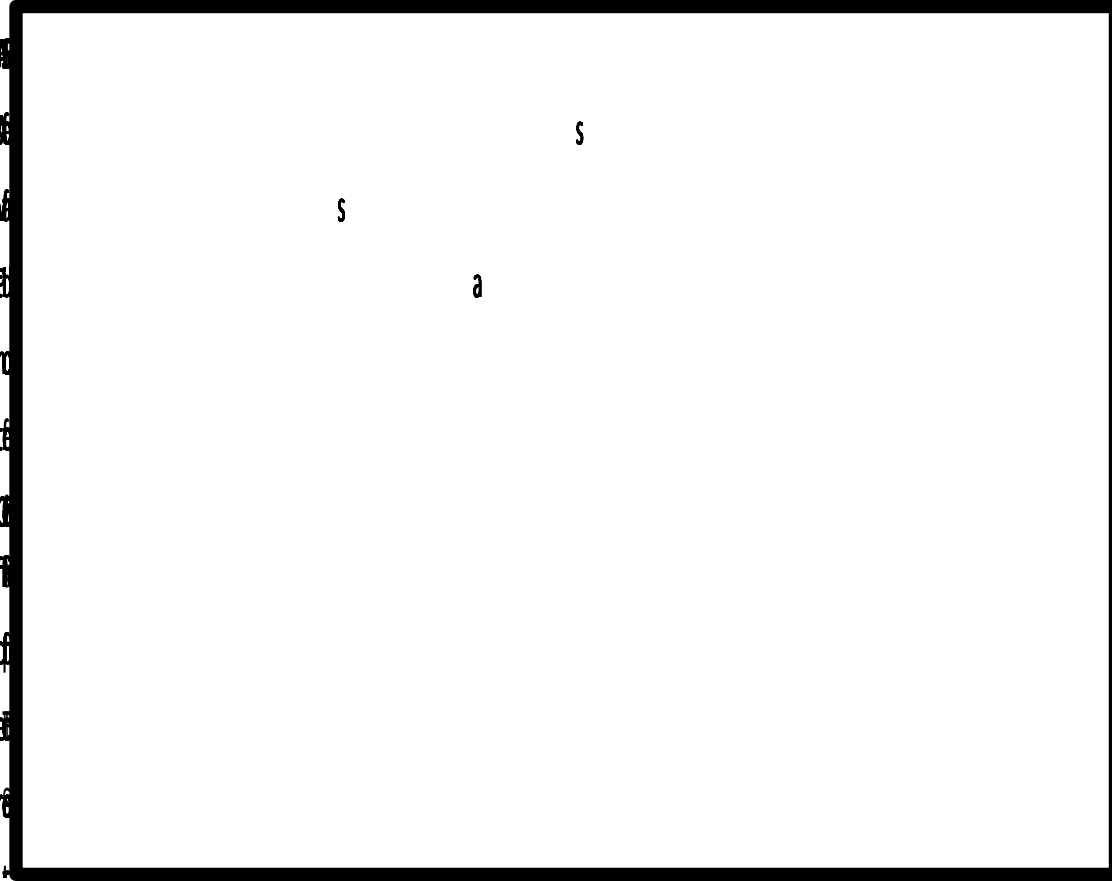
MITS Dhaka center is the 1st international trade services of MTBL. This branch works with only export & import department. They actually work as a backup office of other branches. The operation is consisted of

foreign export, local export, import (cash), and back to back. More than 25 employees are working in this branch. There are one Senior Assistant Vice President & three Assistant Vice President in this branch who are responsible for different department. MITS facilitates their clients in enhancing international trade. The privation of finance to importers (**trust receipt facility, documentary credit facility**) and exports (**negotiation of export bills, purchase of bill for collection**) encourages enterprises to engage in trade and enhance their liquidity position. Mutual Trust Bank Ltd. makes the payment international trade through letter of credit to the export on behalf importers; MTB is a media of fund transfer from one party to another. In international trade, as both importers and exporters in different countries and do not deal with same currency. They have to confront the risk of currency fluctuation. This exchange risk can transferred from the trader to the bank that is ready to provide the former with forward foreign exchange or currency option so that the importer and the seller can devote time to their business.

1.20 Structure of MITS Dhaka Centre



1.21 The organizational Hierarchy of Dhaka Centre is as follows:



Chapter : 2

2.00 Nature of the job at Foreign Exchange Department:

One of the most important parts in MTBL Gulshan Corporate Branch is Foreign Exchange Department that deals with import, export, foreign remittance and post import financing. During my internship period I was placed in import and export section. My responsibilities are mentioned below:

2:01 My Core responsibilities:

- ✓ How to behave with other official.
- ✓ How to control own self toward the customer.
- ✓ How to adjust with the corporate culture.
- ✓ What are the rules and regulation of banking, foreign operations.
- ✓ Necessity of commitment.
- ✓ Punctuality and regularity is very important
- ✓ Ability to interact with different sorts of people.

2.02 My Specific responsibilities:

Opening Back to back L/C: Back-to-Back L/C is a secondary L/C opened by the seller's Bank based on the original/master L/C to purchase the raw materials and accessories for manufacturing of the export products required by the seller.

Payment Instruction: This is a universal system allowing importer's bank to pass on a payment order drawn on to the receiving bank of different country for execution. For giving import payments from foreign banks, Payment Instruction is mandatory.

IMP Report: At the end of each month every commercial bank sent a report to Bangladesh Bank on the basis of their import payment during the whole month.

2.03 DIFFERENT ASPECTS OF JOB PERFORMANCE:

During my three month internship period, I was assigned for different types of task and activities.

At MTBL I was assigned Foreign exchange department, over there a t first I was assigned for L/C openings. I fill up L/C opening forms on behalf of clients, receiving the documents, input in the register and finally input in the Bangladesh bank system.

Next, I was assigned for L/C acceptance. Here I also receive the documents for acceptance, input in the register and system, follow the company instruction and procedure regarding making bill and charging and finally, input in the Bangladesh bank system.

Besides, I was assigned for Payment section. Here I received Documents make bill and give payment. Finally, input in the Bangladesh bank system.

As a finance student, I always prefer to do a job in a financial organization. So, obviously banks get the first priority to me. An internship in a bank, like MTBL is a great way to demonstrate interest in the sector and for me to learn more about the actual job I would be doing on a routine basis.

During internship period, employees of MTBL were very supportive & always helped me to learn. But it was not possible for me to know about all the departments within 3 months.

In the follows I found out some problem over in the TBL as critical Observation, and some recommendation regarding the observation:

2.04. Critical observations and recommendations:

During my internship I observed that work load in foreign exchange and trade department at Gulshan Branch was more than compared to the number of working employees. As their work pressure was being doubled, so motivational levels of those employees were getting down. So, the authority is required to be a little careful about their employees. May be their current policy is not to recruit any new employee, but they can solve this situation by transferring employees from other departments. Otherwise the motivation level of the employee will be low.

In MTBL Gulshan MITS Branch, the management is not so strict about punctuality. As a result, the tendency of being not on time is growing among employees. To change this practice management may need to be a little harsh about their rules and regulation.

2.05. These things should immediate to be changed:

- Management should increase the number of employees at MITS.
- Improve better operating systems, software and Intra Networking System.

- Improve the management of document and file reservation. And improve the file searching system
- Increase the number of office staff.

Chapter :3

3:00 Summary:

Now a day's international business is very important in the era of Globalization. Every day we do business in the same territory or between different territories. Like other country Our Country is also benefited from international business since new products, technologies, and services are being offered for us to use. Beside we know that risk is a part of business and in case of international business risk is more as both party is don't know each other. So guarantee of payment is very important for this reason concept of L/C has been come.

3:01. Definition of L/C:

L/C is a letter from a bank guaranteeing that a buyer's payment to a seller will be received on time and for the correct amount. In the event that the buyer is unable to make payment on the purchase, the bank will be required to cover full or remaining amount of purchase.

It is a promise by buyer's bank to seller's or exporter bank that buyer's bank will honour the invoice presented by the exporter on due date and make payment.

At present L/C is not just an instrument of international trade but it is a source of income of any profitable financial institution like Bank. Any reputed and well known institution can operate this activity as their regular activity.

3.02. Types of Letters of Credit:

Commercial Letters of Credit:

Commercial letters of credit are mainly used as a primary payment tool in international trade such as exporting and importing transactions. Majority of commercial letters of credit are issued subject to the latest version of

UCP (Uniform Customs and Practice for Documentary Credits). The ICC publishes UCP, which are the set of rules that governs the commercial letters of credit procedures.

Standby Letters of Credit:

Commercial letters of credit are a means of payment to be utilized when the principal perform its duties. As an example, let us consider an exporter who ships the goods according to the sales contract and apply to the nominated bank for the payment. If the nominated bank decides that the presentation is conforming to the terms and conditions of the credit and the UCP rules then exporter will be paid. This situation is just contrary in standby letters of credit. Standby letters of credit have their own rules, which are called The International Standby Practices 1998 (ISP98).

Revocable Letters of Credit:

Revocable letters of credit give issuer the amendment or cancellation right of the credit any time without prior notice to the beneficiary. Since revocable letters of credit do not provide any protection to the beneficiary, they are not used frequently.

Irrevocable Letters of Credit

Irrevocable Letters of Credit cannot be amended or cancelled without the agreement of the credit parties. Unconfirmed irrevocable letters of credit cannot be modified without the written consent of both the issuing bank and the beneficiary. Confirmed irrevocable letters of credit need also confirming bank's written consent in order any modification or cancellation to be effective.

Back-to-back Letter of Credit:

The beneficiary of the export credit, who is not the manufacturer of the goods, may approach a bank to open a letter of credit in favour of the manufacturer who is ready to supply the goods. Such a letter of credit is opened on the strength of the export letter of credit and hence called back-to-back letter of credit. Such a documentary credit should be opened on behalf of the good exporters and suppliers.

3.03. Common Mistakes Made With Letters Of Credit:

Exporters make the following common mistakes, which cause them to lose the sale or not get paid.

Presenting documents after the letter of credit has expired.

Shipping their goods after the specified date.

Making a partial shipment when partial shipment is not allowed.

Not presenting the proper documents.

Not legalizing the documents.

Not obtaining completed bills of lading.

Not obtaining required insurance.

Submitting copies instead of originals.

Spelling mistakes.

Mathematical mistakes.

3.04 Documentary Collection against L/C Payment:

Documentary collection against payment is the closest international equivalent to cash on delivery.

It is not as expensive as a letter of credit.

The seller must ship before getting paid.

The buyer does not receive the goods until payment is made.

The buyer receives the goods after signing a note promising to pay.

This promissory note may be negotiable.

3.05 Risk with this form of payment:

The buyer may not contact the collecting bank to acknowledge acceptance.

The collecting bank is under no obligation to force such an acknowledgement.

3.06 Main Objective of the report:

- Contribution of Import and export to the total revenue of Mutual trust bank.
- Contribution of MTBL to export, import and in the local trade.
- Find out the problem in International business and local trade.
- L/C procedure at MITS (Mutual trust bank international trade and service).

3.07 Methodology:

The study is performed based on the information extracted from different sources collected by using a specific methodology. The detailed is given below:

3.7.1 Data collection:

Sources of data are as follow:

3.7.1.1 Collection of Primary Data:

- Face to Face conversation with the respective officers and staffs
- Sharing practical knowledge of officials.
- Relevant file study provided by the officers concerned

3.7.1.2. Collection of Secondary Data:

- Annual Report of MTBL.
- Website of MTBL
- Relevant books, Research papers, newspapers, Journals and reports
- Internet and various study selected reports.

3.7.2 Analytical Tools Used:

To analyze the collected data chart & graph has been used for better presentation of financial data.

3.8 Limitations of Study:

The main problem faced in preparing the paper was the inadequacy and lack of availability of required data.

This report is an overall view of Foreign Exchange Operations of The Mutual Trust Bank Ltd. But there is some limitation for preparing this report. These barriers, which hinder my work, are as follows:

- Difficulty in accessing latest data of internal operations.
- Non-availability of some preceding and latest data.
- Some information was withheld to retain the confidentiality of the bank.
- I was placed to this department for only 3 months of time and working like a regular employee hindered the opportunity to put the better effort for the study.

IMPORT and EXPORT Scenario In



Bangladesh

4.00 Scenario of IMPORT and EXPORT in Bangladesh:

The performance of Bangladesh's export sector in recent years is quite impressive especially in the 1990s when we compare it with that of world. The average annual growth rate of Bangladesh export (11.91%) is higher than

those of the world (9.48%) during 1990-2003. Because of the lower export performance in the 1980s, annual average growth rate of this sector during 1980-2003 is not as impressive compared to other Asian countries and the world.

Over the period of 1980-2003 Bangladesh's exports as a percentage of the world's exports remain around 0.11% to 0.12% with the exception of 1984, when it was 0.14%, and 1990-1994, when the ratio was around 0.09%. Exports show slightly increased trend especially in 2000 and 2001. For these two years Bangladesh's exports are 11% exports was the lowest, 7.72%, in 1983. Bangladesh's exports share in the Asian developing countries, however, shows a decreasing trend in the 1990s compared to the 1980s though the ratio is slightly higher in 1998 and 1999 compared to immediate earlier years. The ratio dropped to 0.59% in 2003 from 1.46% in 1980 though it was 0.75% in 2001

A healthy performance of Bangladesh's import compared to the rest of the world. Although Bangladesh's import performance is behind that of the Asian developing countries, the average annual import growth rates of Bangladesh are much higher than those of the world during 1980-90, 1990-2003 and 1980-2003. When average annual growth rates of the world 12.92% and 22.42% respectively, that of Bangladesh is 31.79% during 1980-2003. Even the average growth rate of imports is higher for Bangladesh (22.59%) than that of the Asian developing countries (21.25%) during 1990-2003. Bangladesh's imports as a percentage of world imports have also been increasing over the years, though this ratio varies with the Asian developing countries. While the ratio of Bangladesh's imports to world imports was 0.04% in 1980, it reached around 0.1% in 2001, 2002 and 2003.

The contribution of the export sector to Bangladesh's GDP has been gradually increasing over the years. While export share in GDP was 4.52% in 1980, this share has reached to 13.45% in 1999, reflecting 197.56% increase in GDP contribution in nineteen years (World Bank 2004). This ratio further increased in 2000, 2001 and 2002. The ratio was 15.38% in 2001.

The imports-GDP ratio of Bangladesh has also been increasing every year with a few exceptions. During 1980-2002 the ratio was the lowest; 9.09% in 1986; and the highest 21.50% in 2001.

The trade openness (trade/GDP ratio) was around 14% to 16% till 1989. After that the ratio increased to 28% in 1995. In 2001 the ratio has increased to 36.88% which implies that trade has been liberalized.

4.01 GRAPHICAL REVIEW

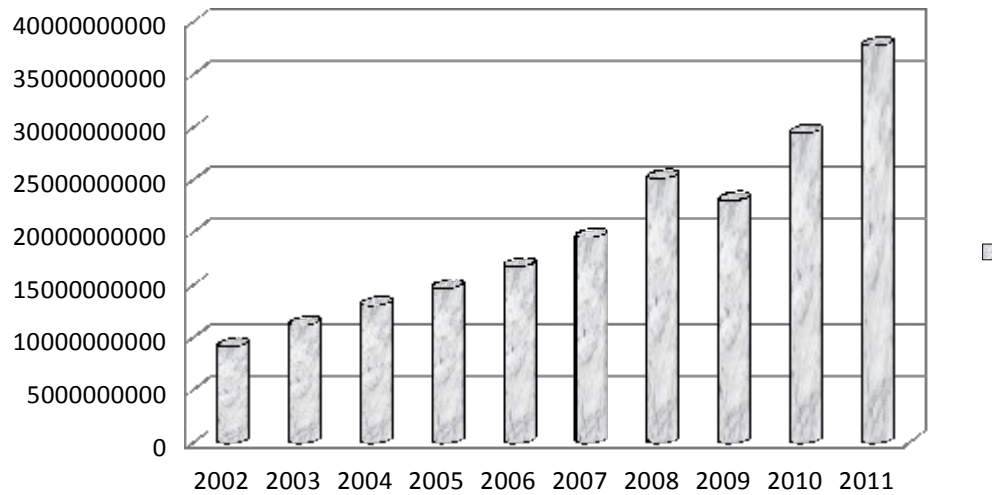


Figure: Total imports Bangladesh

This graph shows total imports of Bangladesh from 2002 to 2011. Total import of Bangladesh was in an increasing trend from 2002-2008, in 2009 it slightly declines due to recession and again increases in 2010 and the increasing trend is continuing to 2011.

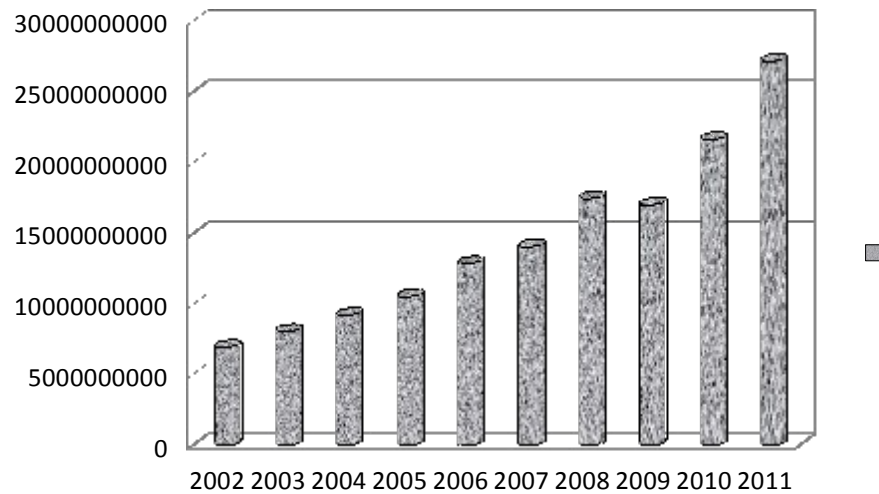


Figure: Total exports Bangladesh

This figure illustrates total exports of Bangladesh from 2002 to 2011. In 2002-2006 export is in an increasing trend in 2006 it slightly decreases and again increases in 2008 and decreases in 2009 due to recession effect and again increases in 2010 & 2011.

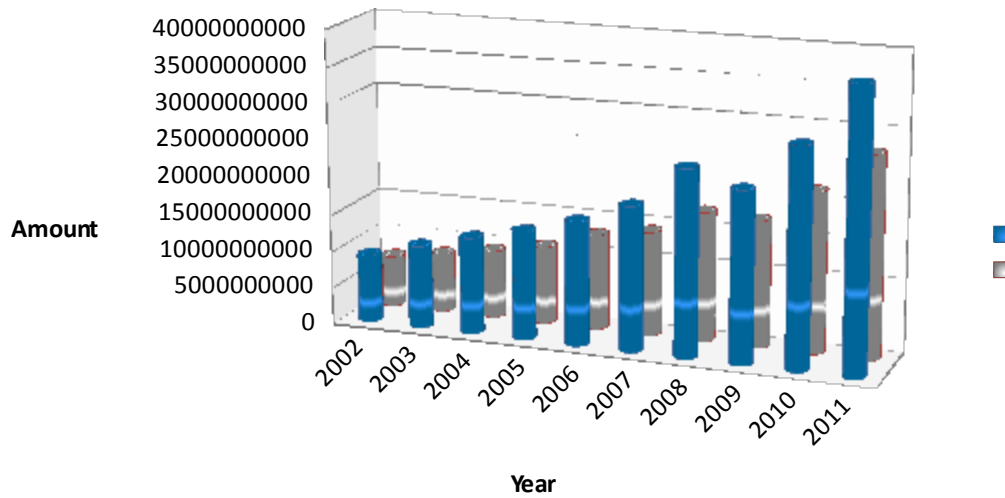


Figure: Total import export Bangladesh

Figure 9 represents a comparative review of total export import scenario of Bangladesh from 2002-2011. Increasing trend of import is much higher than increasing trend of export. Which results huge trade deficit & the gap between them is increasing every year.

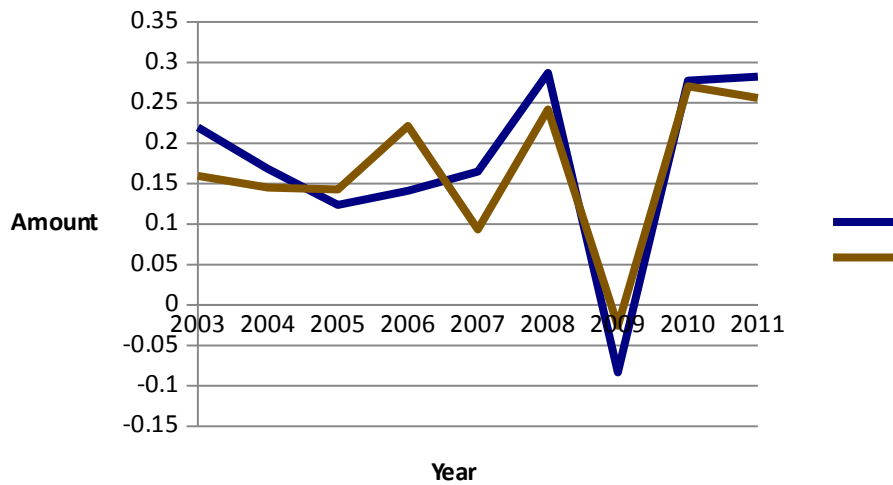


Figure 7: Growth of import export

From figure 10 this can easily understandable that growth of import export is very fluctuating over the year, growth of export is more fluctuating than growth of import. But both of it shows a huge negative growth in 2009, which is the result of recession faced by the whole world in that year.

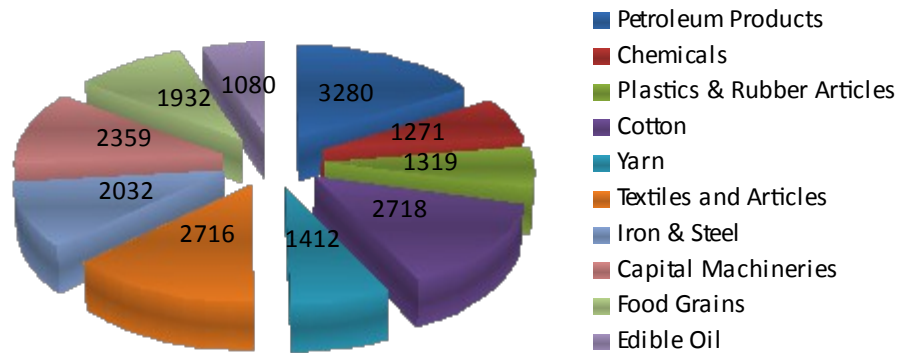


Figure: Top Import products

Above figure illustrates top import products of Bangladesh. From the figure Bangladesh imports variety of products at a stable amount. Among all the products it imports petroleum products at highest amount and cotton at lowest amount.

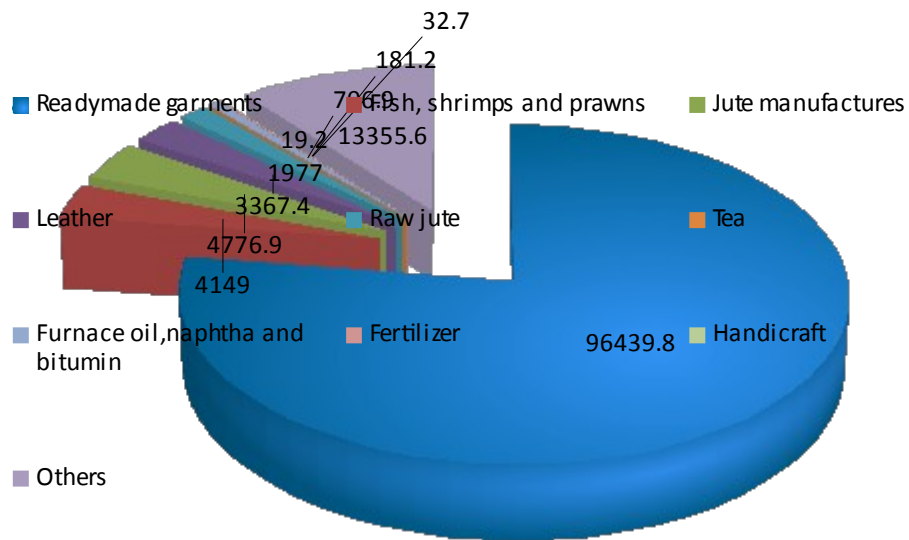


Figure: Top Export products

This figure shows top export products of Bangladesh. All most 80% is readymade garments, and its t mentionable that Bangladesh posses 3rd position in readymade garments export in the world. Second is leather and third is jute manufactures. Its exports a very small amount of tea.

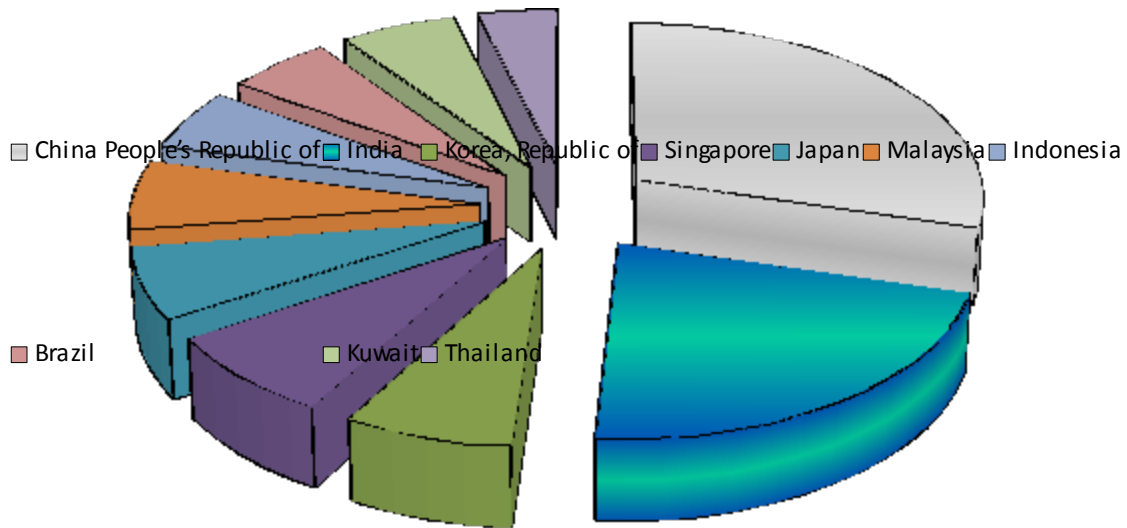


Figure: Top Import Countries

Figure 10 illustrates top countries from which Bangladesh imports most. Among them Bangladesh imports a huge amount from India & China due to easy transportation cheap rate and other facilities. And imports from other countries are all most equal.

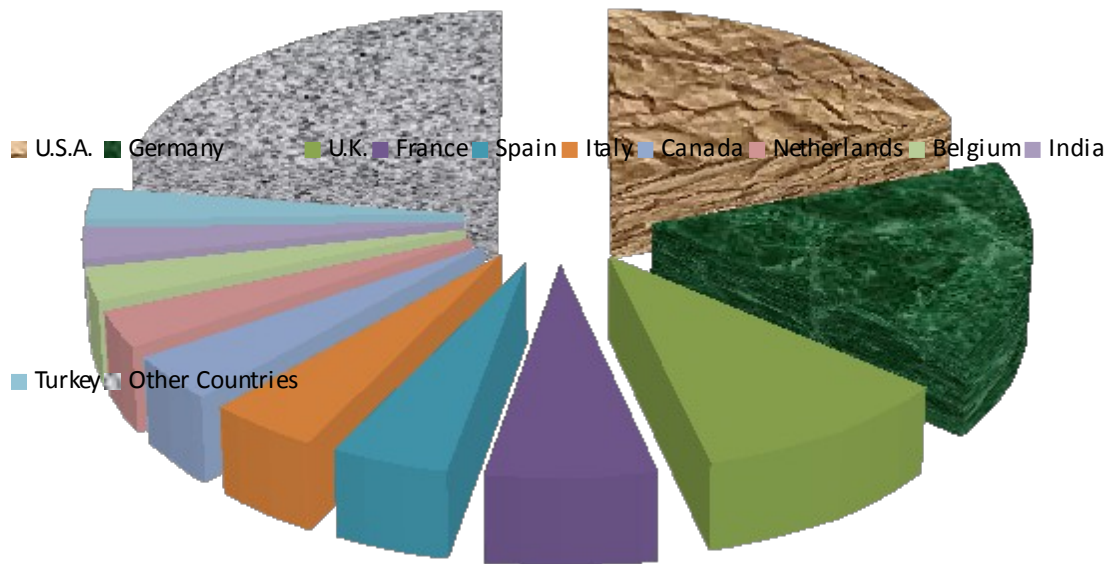


Figure 8: Top Export Countries

Figure 10 illustrates top countries to which Bangladesh exports its goods most. Among them Bangladesh exports most in USA and the product is readymade garments which is also its highest export product. Belgium is in second position and others are at a balance.

An aerial photograph of a city, likely New York City, showing a dense urban landscape. Two prominent skyscrapers, the Twin Towers, are visible in the center, standing out against the sea of buildings. The sky is clear and blue. A white rectangular box with a black border is overlaid on the image, containing the text 'BACK- TO-BACK L/C'.

BACK- TO-BACK L/C

5.00 BACK- TO-BACK L/C

In case of a “Back-to-Back” letter of credit, a new L/C (an import L/C) is opened on the basis of an original L/C (an export L/C). Under the “Back-to-Back” concept, the seller as the beneficiary of the first L/C offers it as a ‘security’ to the Advising Bank for the issuance of the second L/C. The beneficiary of the back-to-back L/C may be located inside or outside the original beneficiary’s country. In case of a back-to-back L/C, no cash security (no margin) is taken by the bank; bank liens the first L/C. In case of a back-to-back L/C, the drawn bill is usage/time bill.

In MITS Dhaka Center, papers/documents required for opening of back-to-back L/C are as follows –

- Master L/C
- Valid Import Registration Certificate (IRC) and Export Registration Certificate (ERC)
- L/C Application and LCAF duly filled in and signed
- Pro forma Invoice or Indent
- Insurance Cover Note with money receipt
- IMP Form duly signed.

In addition to the above documents, the following papers/documents are also required to export oriented garment industries while requesting for opening of back-to-back letter of credit –

- Textile Permission
- Valid Bonded Warehouse License
- Quota Allocation Letter issued by the Export Promotion Bureau (EPB) in favour of the applicant for quota items

In case the factory premises is a rented one, Letter of Disclaimer duly executed by the owner of the house/premises to be submitted. A checklist to open back-to-back L/C is as follows –

⇒ Applicant is registered with CCI&E and has bonded warehouse license

- ⇒ The master L/C has adequate validity period and has no defective clause
- ⇒ L/C value shall not exceed the admissible percentage of net FOB value of relative Master L/C
- ⇒ Usage Period will be up to 180 days.

5.01. L/C opening Procedure (B2B):

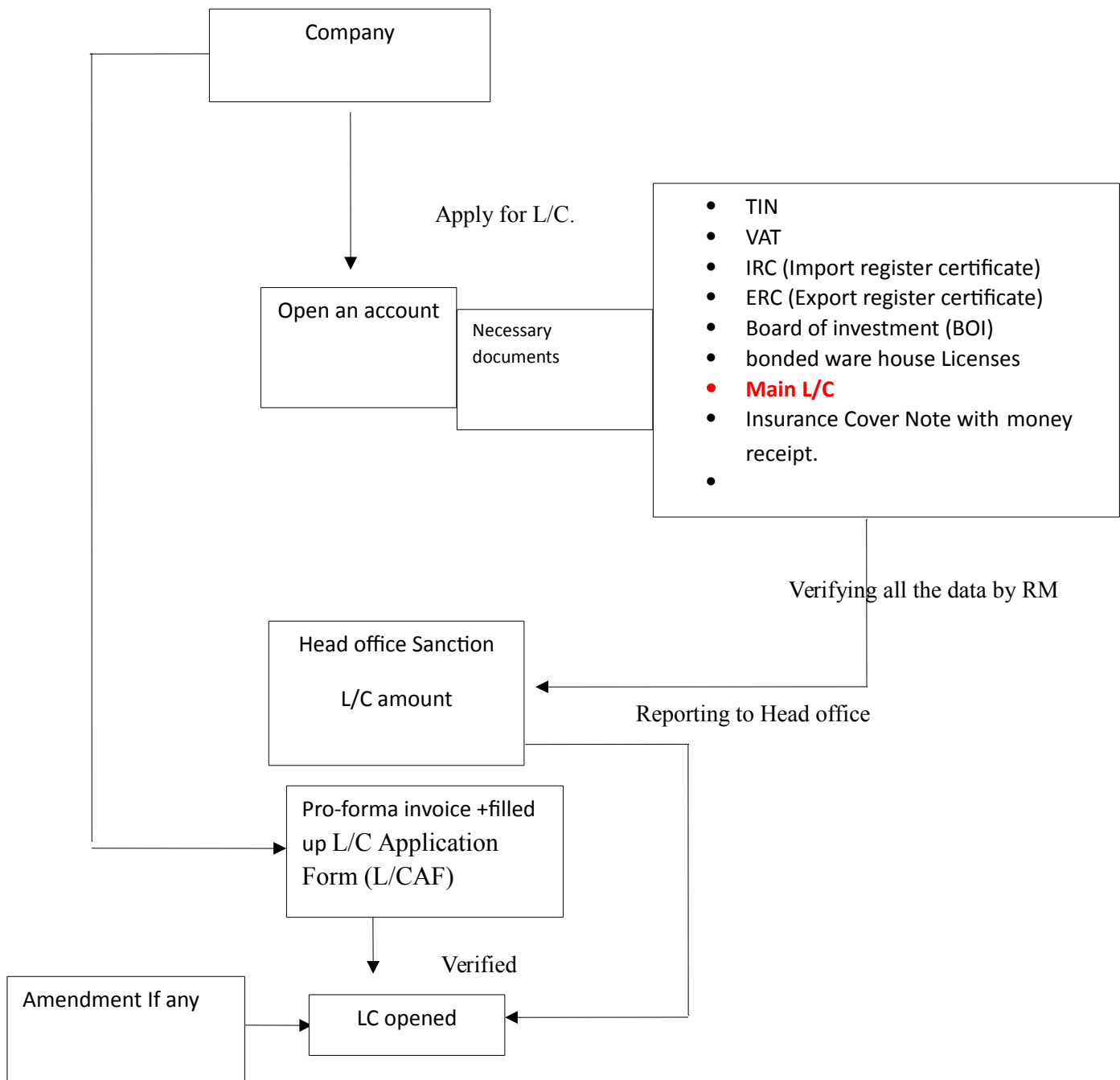
First, Company has to open a current account in MTBL. To open an A/C in MTBL need some essential necessary Documents are TIN, VAT, IRC (Import register certificate), ERC (Export register certificate), Board of investment (BOI), bonded ware house Licenses and Main L/C. After receiving documents through Branch a relationship Manager will inspection all the Documents and applicant company. Next RM (relationship Manager) reports to head of department and Head office Sanction L/C amount for that Particular Company according to RM report.

After opening a current account company apply for L/C to MTBL. In that case company need to fill up an L/C Application Form (L/CAF) and need to send pro-forma invoice to MTBL.

In pro-forma invoice everything is written about the export and import deal for the particular trade between exporter and importer. Information contain in pro-forma invoice are Goods description, goods amount, shipment date, price of the goods and signature of both party exporter and importer.

L/C Application Form (L/CAF) contain Applicant name, Address, IRC number, Shipment procedure, L/C value, Expired place, expired date, trade terms, description of Goods, Payment of charges, what are the documents are needed and other terms and condition. After receiving Application MTBL check the L/C amount written in the form and Head office sanction amount for that particular Company. Finally MTBL match the signature of importer in Pro-forma invoice.

Next, MITS Lien Main L/C opens another L/C against it. After opening a L/C MTBL will send a swift to exporter bank. With all the information written in the Application form assure them that MTBL will pay the payment after fulfilment all the requirement of Importer. That ends the L/C opening procedure.



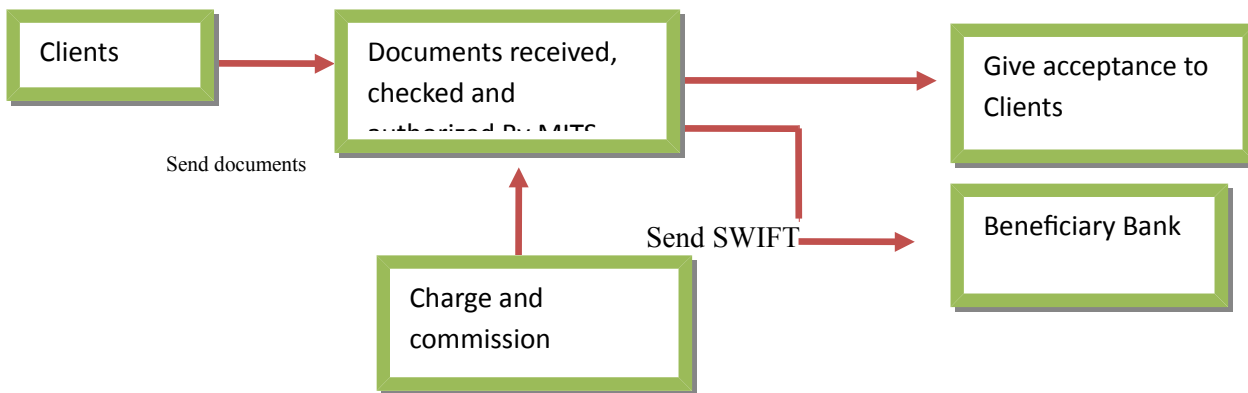
5.02 FIG: L/C opening procedure at MTBL

5.03 Contain of L/C Application Form (L/CAF) of B2B L/C:

- Full name and address of the importer
- Full name and address of the beneficiary
- Draft amount
- Availability of the credit by sight payment/acceptance/negotiation/deferred payment
- The bar within which the documents should be presented
- Sales type (CIF/FOB/C&F)
- Brief specification of commodities, price, quantity, indents no. etc.
- Country of origin
- Bangladesh Bank registration no.
- Import License/ LCAF no.
- IRC no
- Account no.
- Documents no.
- Insurance Cover Note/Policy no., date, amount
- Name and address of Insurance Company
- Whether the partial shipment is allowed or not
- Whether the transshipment is allowed or not
- Last date of shipment
- Last date of negotiation
- Other terms and conditions (if any)
- Whether the confirmation of the credit is requested by the beneficiary or not,
- The L/C application must be completed/filled in properly and signed by the authorized person of the importer before it is submitted to the issuing bank.

5.04 Procedure of Acceptance (B2B):

- In case of acceptance First MTB consider the clients confirmation that who opened L/C for the beneficiary. Here client should send confirmation Documents to MTB that they received goods from the beneficiary
- After receiving Documents it is been entry to the Inward register. In this stage they input in the software what are the documents MTB has received then they compiling data.
- Next step MTB input in the Bill of acceptance. Here they input Date of negotiation, Date of shipment, Maturity Date, Beneficiary bank, Beneficiary name. In this stage they got ABP number.
- After that they deduct 15% VAT and commission and make a bill. Commission percentage (%) is predetermined when Head office sanction L/C amount.
- After giving acceptance they send swift SMS to beneficiary bank. Swift contain amount in BDT and USD and date of maturity. In swift SMS there will be reference number that is system generated. SWIFT sms need to be authorized by any of other senior executives.



5.05. Figure: Procedure of acceptance

5.06 Accounting Treatment of Back-to-Back L/C: Negotiation

Foreign Bills Purchase.....	Debit
FBPARA/C.....	Credit
(Foreign Bills Purchase Acceptance Register)	
Party's A/C.....	Credit
(Deducting import & other liability)	

On realization of export proceeds, usual realization vouchers are passed for adjustment of FBP. After realization of export proceeds payment of import bills are made from FBPAR A/C and following vouchers are passed

FBPAR A/C.....Debit (Foreign Bills Purchase Acceptance Register) Commercial Bank, Head office General A/C.....Credit
--

If the party is paid in foreign currency, BC rate is applied in this regard. Foreign remittance department takes the T.T & O.D rate.

5.07 Reporting to Bangladesh bank

At the end of every month, the reporting to Bangladesh Bank regarding the following information is mandatory –

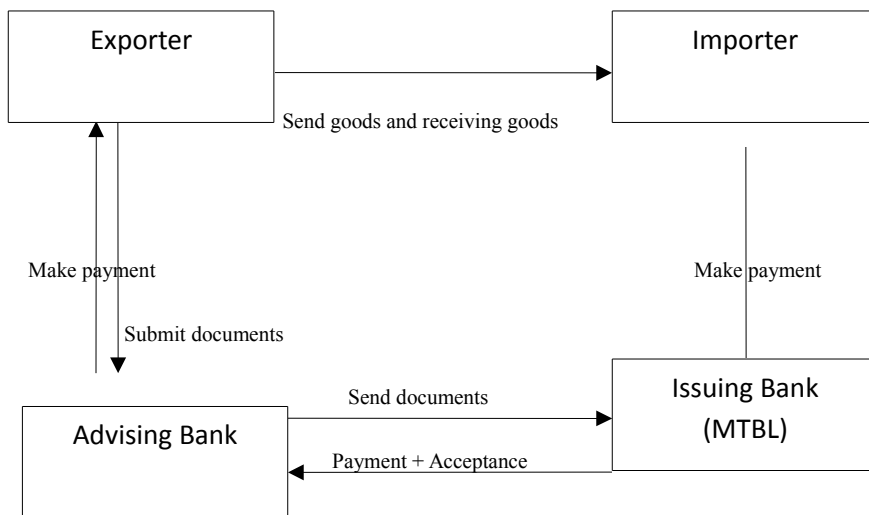
- Filling of E-2/P-2 Schedule of S-1 category that covers the entire month’s amount of import, category of goods, currency, county etc.
- Filling of E-3/P-3 Schedule of for all charges, commission with T/M Form.
- Disposal of IMP Form that includes: **(a)** original IMP (Import form) is forwarded to Bangladesh Bank with invoice and indent, **(b)** duplicate IMP is kept with the branch along with the Bill of Entry/Certified Invoice, **(c)** triplicate IMP is kept with the branch for office

record, (d) quadruplicate is kept for submission to Bangladesh Bank in case of imports where documents are retired.

5.08 Payment procedure of B2B L/C:

In case of back-to-back L/C for 30-60-90-120-180-360 days of maturity period, deferred payment is made. Payment is given after realizing export proceeds from the L/C Issuing Bank. For Garments Sector, the duration can be maximum 180 days. For importing machinery, without permission from Bangladesh Bank, MITS Dhaka Centre can authorize for 360 days. In such cases, the VP of the branch used to exercise his discretionary power. Payment procedure starts after receiving goods from exporter importer send documents to the MTBL. And they pay the payment of exporter to MTBL. After receiving payments MTBL can pay the payment of beneficiary before the maturity date. They in put in the register and create LDBC in case of local trade (local bill for payment). They made a payment in current USD rate for this reason MTBL earn some gain and that called treasury Exchange Gain. After bill payment to beneficiary bank they send SWIFT to the beneficiary bank.

MTBL send bill to beneficiary Bank and next exporter can collect payment from their bank.





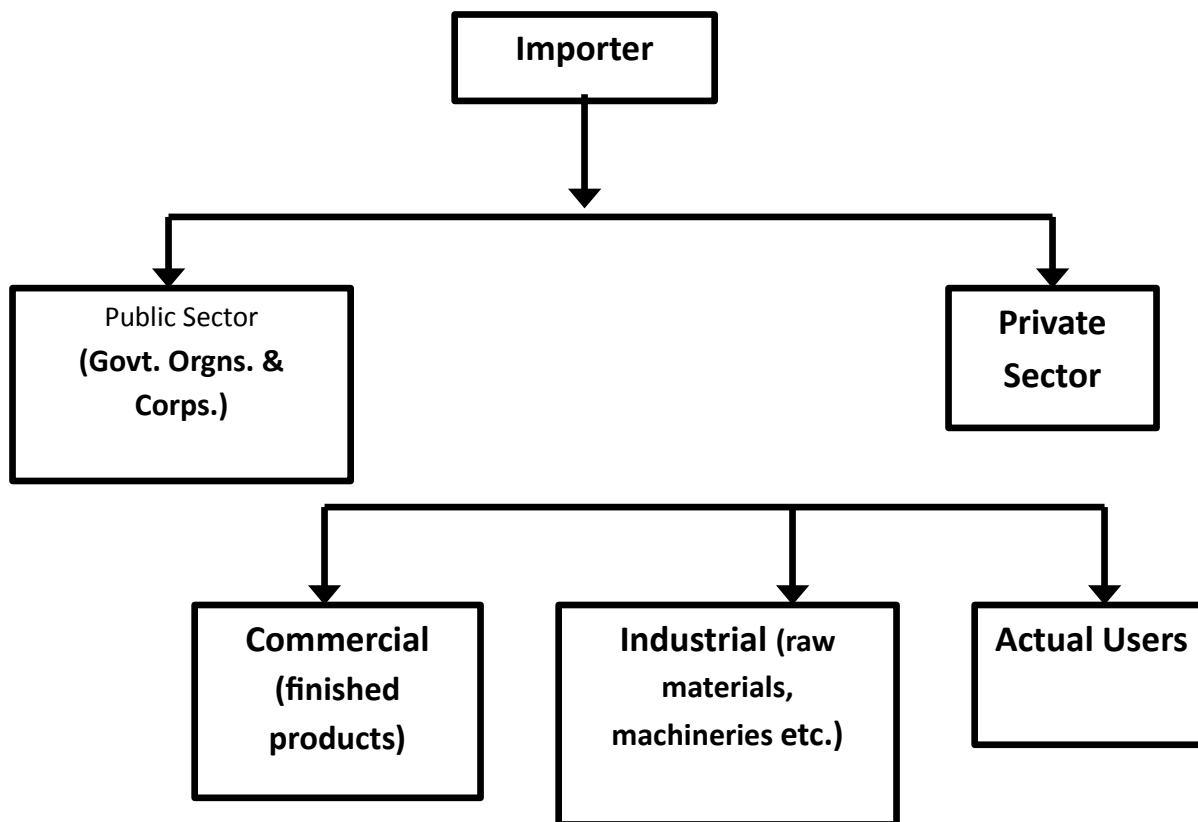
Import Section

06.00

IMPORT SECTION

Import is the flow of goods and
services purchased

by economic agents located in one country from economic agents located in another. Hence, import of merchandise essentially involves two things: bringing of goods physically into the country and remittance of foreign exchange towards the cost of the merchandise and services connected with its dispatch to the importer. In case of import, the importers are asked by their exporters to open letters of credit so that their payment against goods is ensured. Imports of goods into Bangladesh is regulated by the ministry of commerce and industry in terms of the Import and Export (Control) Act, 1950, with import policy orders issued by annually, and Public Notices issued from time to time by the office of the Chief Controller of Import and Export (CCI & E). Through the process of import some vital but which are inadequate in our country products are imported to meet the local needs of the people. MTBL also plays an important role of importing goods.



06.1 Import L/C opening Procedure:

First, Company has to open a current account in MTBL. To open an A/C in MTBL need some essential necessary Documents are TIN, VAT, IRC (Import register certificate), ERC (Export register certificate), Board of investment (BOI), bonded ware house Licenses and Import clause during shipment. In case of import L/C MTBL want to know which PSI agency will inspect the International trade, pre shipment procedure and who will bear that cost. After receiving documents through Branch a relationship Manager will inspection all the Documents and applicant company. Next RM (relationship Manager) reports to head of department and Head office Sanction L/C amount for that Particular Company according to RM report.

After opening a current account company apply for L/C to MTBL. In that case company need to fill up an application form and need to send pro-forma invoice to MTBL.

In pro-forma invoice everything is written about the export and import deal for the particular trade between exporter and importer. Information contain in pro-forma invoice are Goods description, goods amount, shipment date, price of the goods and signature of both party exporter and importer.

L/C Application Form is a sort of an agreement between customer and bank on the basis of which letter of credit is opened. MITS Dhaka Center provides a printed form for opening of L/C to the importer. A special adhesive stamp of value Tk.150 is affixed on the form in accordance with Stamp Act in force. While opening, the stamp is cancelled. Usually the importer expresses his decision to open the L/C quoting the amount of margin in percentage. Application form contain Applicant name, Address, IRC number, Shipment procedure, L/C value, Expired place, expired date, trade terms, description of Goods, Payment of charges, what are the documents are needed and other terms and condition. After receiving Application MTBL check the L/C amount written in the form and Head office sanction amount for that particular Company. Finally MTBL match the signature of importer in Pro-forma invoice.

After opening a L/C MTBL will send a swift to exporter bank. With all the information written in the Application form assure them that MTBL will pay the payment after fulfilment all the requirement of Importer. That ends the L/C opening procedure.

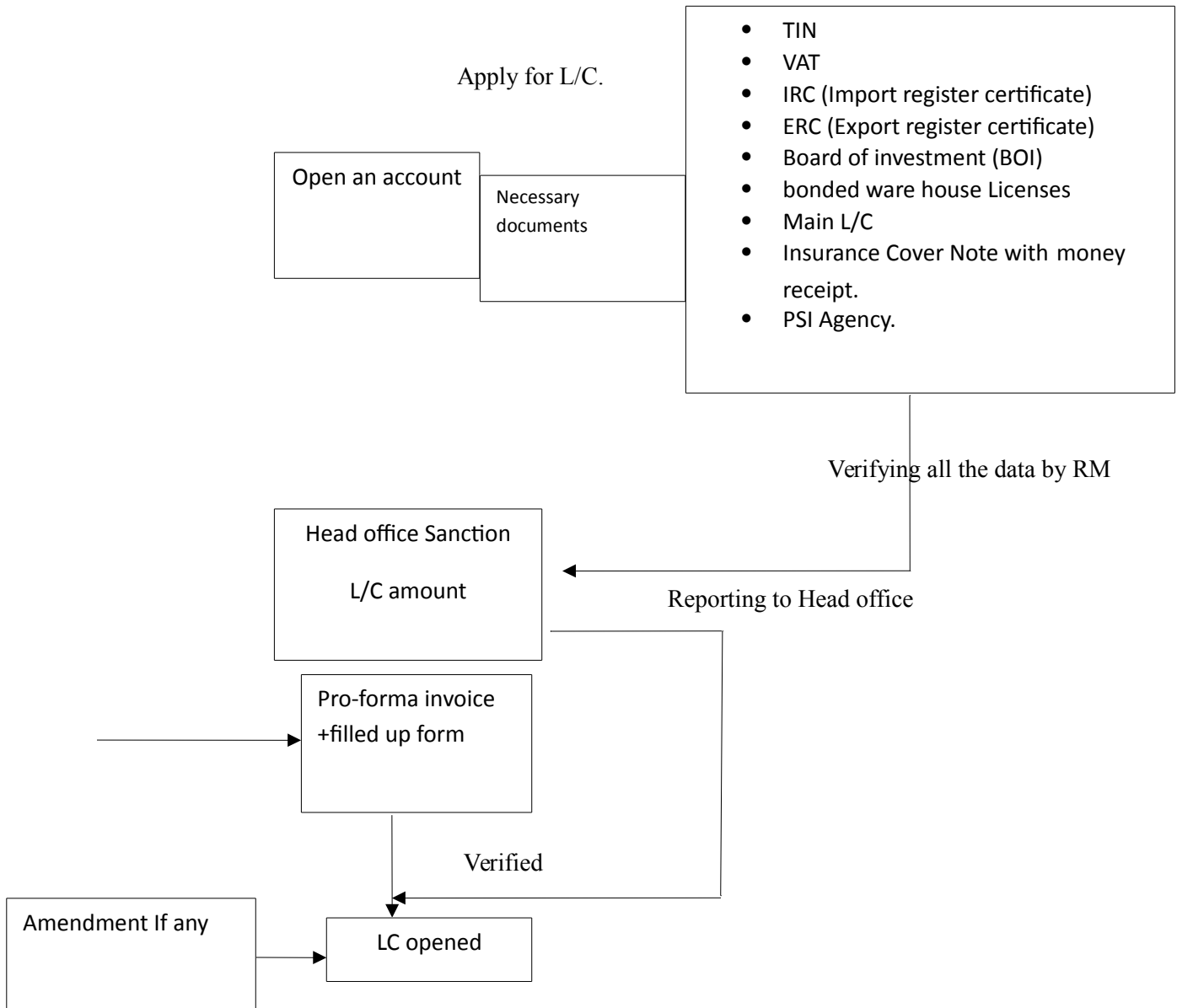
PSI Agency is very in case of Import. MTBL is very careful about the report of PSI Agency.

In the world there are 4 PSI agencies. According to The customer ACT, 1969 section 25A. These PSI Agency will inspect the pre shipment goods according to their allocated country.

SL No.	Name Of PSI agency	Block
1	SGS Societe Generale deSurveillance S.A Place des Alpes P.O. Box 2152 CH-1211 Geneva 1, Swizerland	A And B
2	BIVAC international S.A 67/71 Bouleaved du Chateau,France	C
3	OMIC Overseas Merchandise Inspection Co, LTD.15-6 Nihonbashi,Kabuto-Ono Chuo-Ku Tokyo 103-0026,Japan	D
4	Intertek International LTD.Academy Place,1-9 Brook street Brentewood,Essex CM 14NQ United Kingdome	E

Their Report is very important during giving acceptance.

Company



6.02 FIG: L/C opening procedure at MTBL

6.03 Lodgement of the Documents

After receiving the documents from the exporters, at first MTBL write it in the PAD Registrar. PAD Register contains date, PAD number, L/C number, and name of the drawer, name of the drawee, amount, and number of copies of various documents, name of the imported items. This written procedure is called Lodgment.

6.04 Retirement of the Documents

The process of collecting documents from bank by the importer is called retirement of the documents. The importer gives necessary instructions to the bank for retirement of the import bills or for the disposal of the shipping documents to clear the imported goods from the customs authority. The importer may instruct the bank to retire the documents by debiting his current account with the bank or by creating Loan against Trust Receipt (LTR). Following steps are taken while retiring the documents –

- ❖ Calculation of interest.
- ❖ Calculation of other charges.
- ❖ Passing vouchers.
- ❖ Entry in the register.
- ❖ Endorsement in the Bill of Lading and other transport documents and in the bill of exchange.

6.05 Procedure of Acceptance (Import):

In case of acceptance Like B2B L/C First, MTB consider the clients confirmation that who opened L/C for the beneficiary. Here client should send confirmation Documents such as Invoice, Bill of Lading, Certificate of Origin, Packing List, Shipping Advice, on-negotiable Copy of Bill of Lading, bill of exchange, Pre-shipment Inspection Report and Shipment Certificate to MTB that they received goods from the beneficiary. Then MTBL check pre-shipment report of PSI agency.

- After receiving Documents and report it is been entry to the Inward register. In this stage they input in the software what are the documents MTB has received then they compiling data.
- Next step MTB input in the Bill of acceptance. Here they input Date of negotiation, Date of shipment, Maturity Date, Beneficiary bank, Beneficiary name. In this stage they got ABP number.
- After that they deduct 15% VAT and commission and make a bill. Commission percentage (%) is predetermined when Head office sanction L/C amount.
- After giving acceptance they send swift SMS to beneficiary bank. Swift contain amount in BDT and USD and date of maturity. In swift SMS there will be reference number that is system generated. SWIFT sms need to be authorized by any of other senior executives.

6.06. Presentation & examination of shipping document:

The seller being satisfied with the terms and the conditions of the credit proceeds to dispatch the required goods to the buyer and after that, has to present the documents evidencing dispatching of goods to the Negotiating Bank on or before the stipulated expiry date of the credit. After receiving all the documents, the Negotiating Bank then checks the documents against the credit. If the documents are found in order, the bank will pay, accept or negotiate the documents and will dispatch to MITS Dhaka Centre. The branch checks the documents. The 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 of PSI agency
- Shipment Certificate

6.07. PSI Agency:

SL No.	Name Of PSI agency	Block
1	SGS Societe Generale deSurveillance S.A Place des Alpes P.O. Box 2152 CH-1211 Geneva 1, Swizerland	A And B
2	BIVAC international S.A 67/71 Bouleaved du Chateau,France	C
3	OMIC Overseas Merchandise Inspection Co, LTD.15-6 Nihonbashi,Kabuto-Ono Chuo-Ku Tokyo 103-0026,Japan	D
4	Intertek International LTD.Academy Place,1-9 Brook street Brentewood,Essex CM 14NQ United Kingdome	E

6.08. Importance and responsibilities of PSI agencies:

- To carry out physical inspection of the goods to be imported in order to ensure that they conform to the terms of the contract.
- To verify their prices.
- To ensure that they are classified by the exporter under the correct tariff classification of the importing country.

06.09 Accounting treatment of L/C opening

After sanctioning the L/C proposal by the branch incumbent/competent authority, the respective officer will pass the following vouchers –

Party A/C-----	Dr.
Margin on L/C-----	Cr.
Commission on L/C (0.50% of total value)-----	Cr.
VAT (15% of commission) on L/C-----	Cr.
FCC (Foreign Currency Clearing) A/C-----	Cr.
Stamp A/C -----	Cr.
Postage Charges A/C-----	Cr.
Telex/SWIFT Charges A/C-----	Cr.
Customer's Liability-----	Dr.
Bankers' Liability-----	Cr.

After that, L/C number and the above entries are given in the L/C Register. Then the transmission of L/C is done through Airmail/Courier Service or to the Advising Bank, tested telex to advise the L/C to the beneficiary. If the amount of L/C exceeds US\$10,000, the branch takes the credit report of the beneficiary to ensure the worthiness of the supplying goods. Reimbursement authority is sent to the Reimbursing Bank simultaneously in case of “At Sight” L/Cs.

6.10 Post-Import financing

If there is no available in cash in importer's hand, he can request the bank to grant loan against the documents for the purpose of post import finance. There is one following forms of post import finance available in MITS Dhaka center.

- LTR (Loan against trust receipt).

On the arrival of goods and lodgment of import documents, importer may request the bank for clearance of goods from the port (custom) and keep the same to bank godown. Proper sanction from the competent authority is to be obtained before clearance of consignment. For giving these types of loan, officer makes loan proposal and sends it to H/O for approval. After getting approval from H/O, bank grants loan in the form of LTR.

1. Advance against a Trust Receipt obtained from the Customers are allowed to only first class tested parties when the documents covering an import shipment or other goods pledged to the Bank as security are given without payment. However, for such advances prior permission/sanction from Head Office must be obtained.
2. The customer holds the goods or their sale-proceeds in trust for the Bank, till such time, the loan allowed against the Trust Receipts is fully paid off.
3. The Trust Receipt is a document that creates the Banker's lien on the goods and practically amounts to hypothecation of the proceeds of sale in discharge of the lien.

6.11 Procedure of payments:

After receiving goods from exporter importer send documents to the MTBL. And they pay the payment of exporter to MTBL. After receiving payments MTBL can pay the payment of beneficiary before the maturity date. They in put in the register and create LDBC (local bill for payment). They made a payment in current

USD rate for this reason MTBL earn some gain and that called treasury Exchange Gain. After bill payment to beneficiary bank they send SWIFT to the beneficiary bank.

MTBL send bill to beneficiary Bank and next exporter can collect payment from their bank.

6.12 GRAPHICAL PRESENTATION

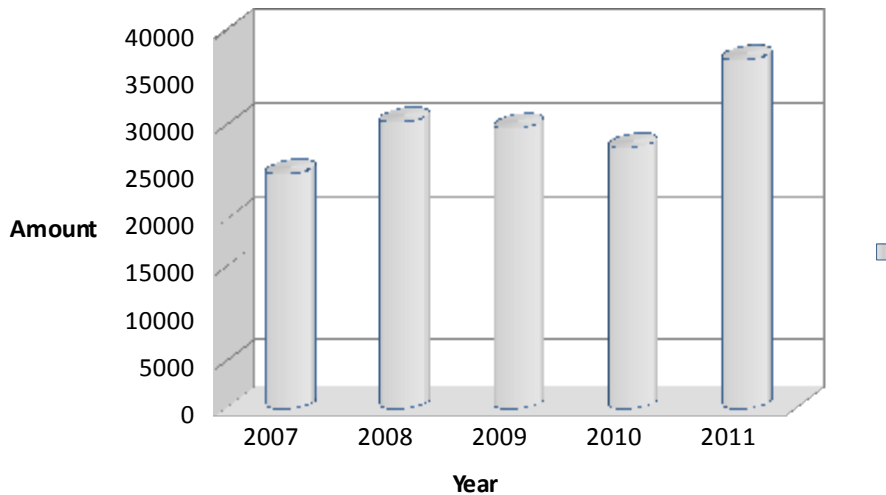


Figure: Total import MTBL

Figure 23 illustrates total imports of Mutual Trust Bank Ltd from 2007-11. Total imports fluctuates over the year and not in a satisfactory position till 2009-10 but in 2010-11 it takes a new turn and increased very rapidly.

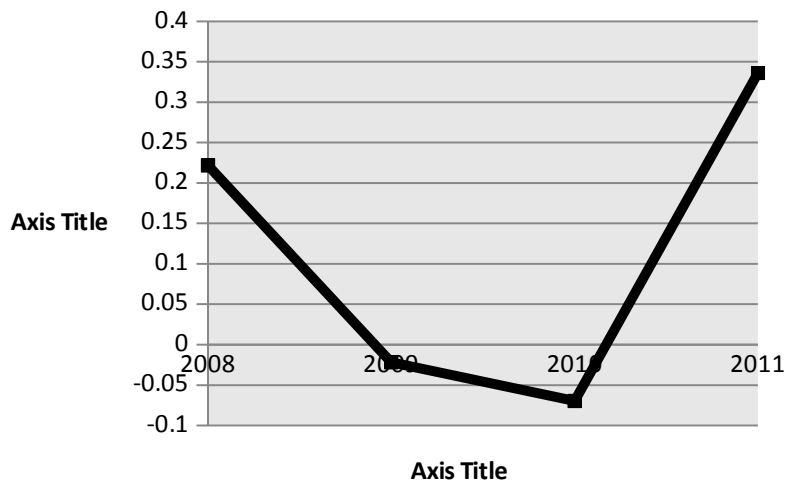


Figure 9: Growth of Import MTBL

Figure 24 illustrates Growth of import of Mutual trust Bank Ltd. It fluctuates a lot over the year it decreases in 2008-09 and faced a great decrease in 2009-10. That is a result of economic recession. During 2010-11 it increases dramatically at a higher rate.

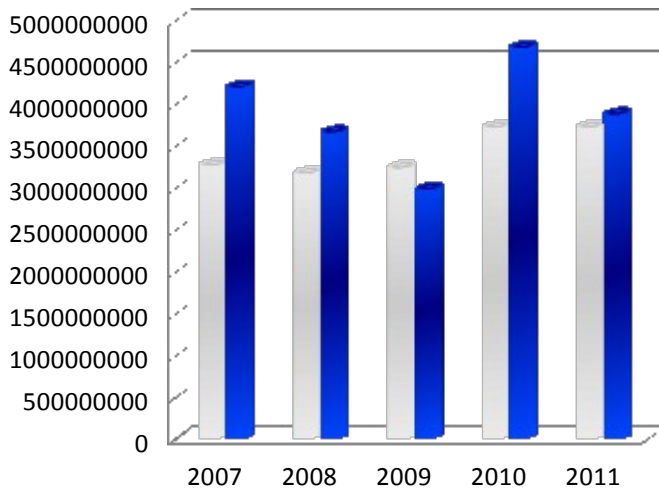


Figure 25 illustrates Letter of credit against letter of guarantee. MTBL issues more letter of credit than guarantee. but in 2011 both of these are almost equal in amount

Figure: Letter of credit & Guarantee

Figure 26 illustrate composition of letter of credit. MTBL issues letter of credit cash more than others and issues letter of credit inland least amount. And L/C cash was highest in 2010.

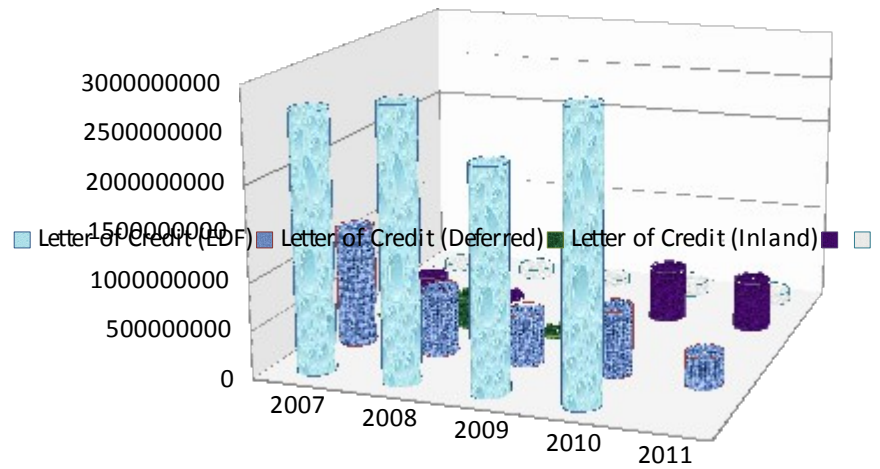


Figure: Composition of L/C

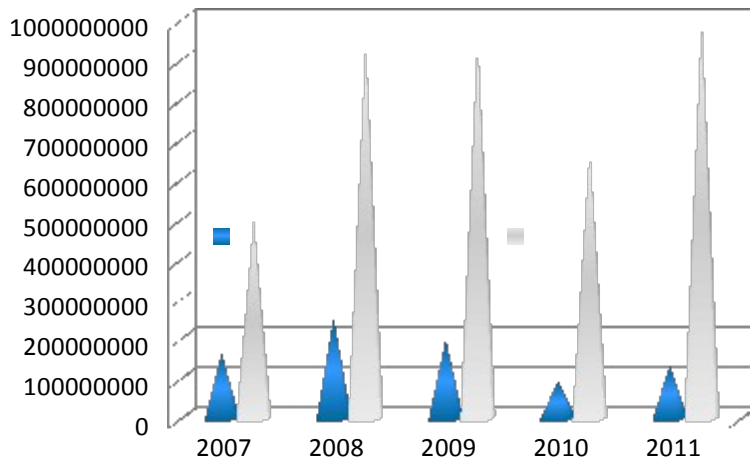


Figure 27 illustrates interest earnings from import. MTBL earns highest interest from trust receipt facility and it increases every year except 2010. In 2010 it was in a decrease due to recessional effect.

Figure: Interest from import

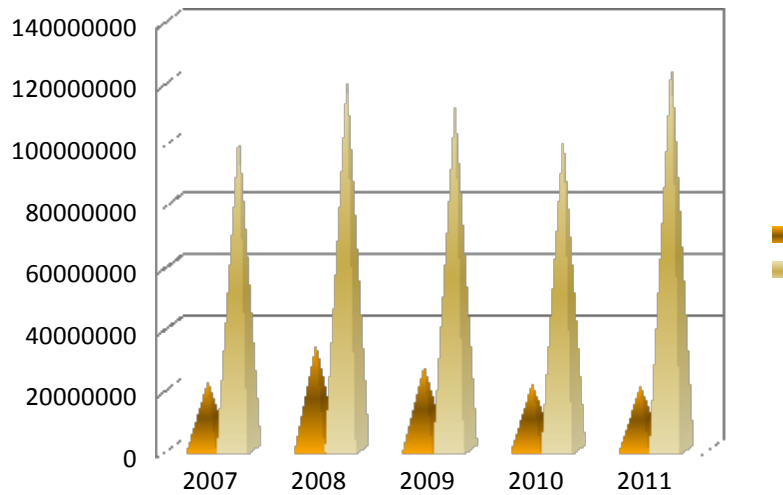


Figure: Commission from imp[ort]

Figure 28 illustrates commission earnings from import. MTBL earns highest interest from letter of credit facility and it increases every year except 2010. In 2010 it was in a decrease due to recessional effect. and commission from letter guarantee is in a decreasing rate.

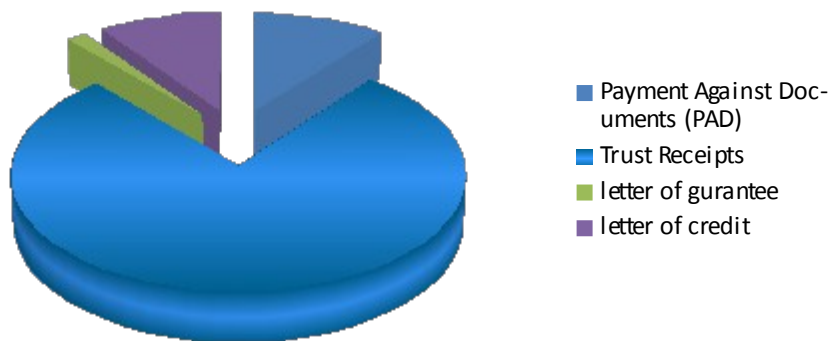


Figure: Interest & Commission 2011

Figure 29 illustrates commission & interest earnings from import. MTBL earns highest interest from trust receipt facility and payment against document. Earn least from letter of guarantee.



Export Section

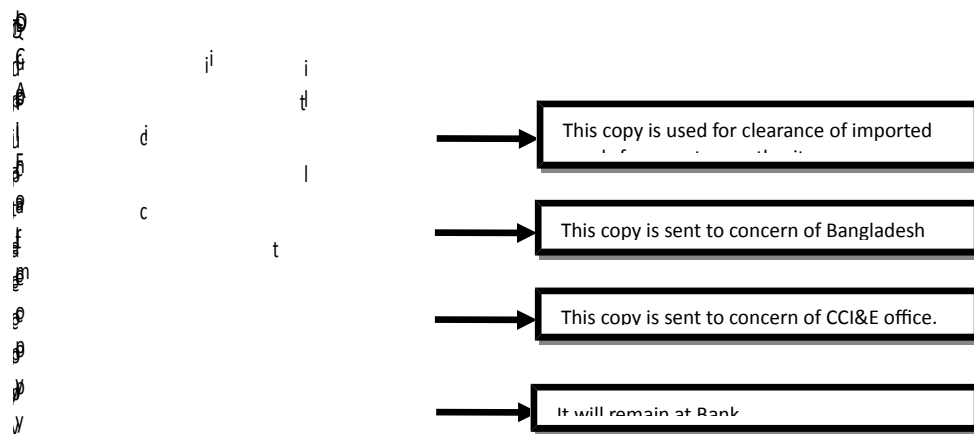
7.00 Export Section:

Export L/C operation is just reverse of the import L/C operation. As a regular operation of export MTBL collect bills and L/C on behalf of Exporter. Exporter is 2 types one is Local exporter and other is foreign exporter. In export section at MITS they mainly they collect local L/C from the importer bank. Advice the L/C, send and receive the documents and finally MITS purchase L/C at discount rate.

No exporter is allowed to export any commodity permissible for export from Bangladesh unless he is registered with Chief Controller of Imports and Exports (**CCI & E**) and holds valid Export Registration Certificate (ERC). After applying to the CCI&E in the prescribed form along with the necessary papers, concerned offices of the Chief Controller of Imports and Exports issues ERC. Once registered, exporters are to make renewal of ERC every year. After getting ERC, the exporter may proceed to secure the export order. He can do this by contracting the buyers directly through correspondence. After having the registration, the exporter applies to MTBL with the trade license, ERC and the Certificate from the concerned Government Organization gets EXP. If the bank is satisfied, an EXP is issued to the exporter.

After communicating with buyer the exporter has to get contracted for exporting exportable items from Bangladesh detailing commodity, quantity, price, shipment, insurance and mark, inspection, arbitration etc. After getting contract for sale, exporter should ask the buyer for Letter of Credit clearly stating terms and conditions of export and payment.

Distribution Process of LCA form



After receiving L/C, the following points are to be looked for:

- a. The terms of the L/C are in conformity with those of the contract.
- b. The L/C is an irrevocable one, preferably confirmed by the advising bank.

- c. The L/C allows sufficient time for shipment and a reasonable time for registration.
- d. If the exporter wants the L/C to be transferable, divisible and advisable, he should ensure those stipulations are specially mentioned in the L/C.

After making the deal and on having the L/C opened in his favour, the next step for the exporter is to set about the task of procuring or manufacturing the contracted merchandise. Before the exporters with the customs/postal authorities lodge the export forms, they should get all the copies endorsed by MTBL. Before shipment, exporter submits exp. form with commercial invoice. Then MTBL officer checks it properly, if satisfied, certifies the exp. without it, exporter he cannot make shipment. The customer must declare all exports goods on the EXP issued by the authorized dealers. Exporter makes shipment according to the terms and condition of L/C.

7.01 Export procedures

The import and export trade in our country are regulated by the Import and Export (Control) Act, 1950.

Under the export policy of Bangladesh the exporter has to get valid Export registration Certificate (ERC) from Chief Controller of Import & Export (CCI&E). The ERC is required to renew every year. The ERC number is to incorporate on EXP forms and other papers connected with exports.

In the Export Section, two (02) types of L/Cs are handled –

- 1) Back-to-Back L/C
- 2) Export L/C

7.1.1 Back- to-back L/C

In case of a “Back-to-Back” letter of credit, a new L/C (an import L/C) is opened on the basis of an original L/C (an export L/C). Under the “Back-to-Back” concept, the seller as the beneficiary of the first L/C offers it as a ‘security’ to the Advising Bank for the issuance of the second L/C. The beneficiary of the back-to-back L/C may be located inside or outside the original beneficiary’s country. In case of a back-to-back L/C, no cash security (no margin) is taken by the bank; bank liens the first L/C. In case of a back-to-back L/C, die drawn bill is usage/time bill.

- Master L/C
- Valid Import Registration Certificate (IRC) and Export Registration Certificate (ERC)

- L/C Application and LCAF duly filled in and signed
- Proforma Invoice or Indent
- Insurance Cover Note with money receipt
- EXP Form duly signed.

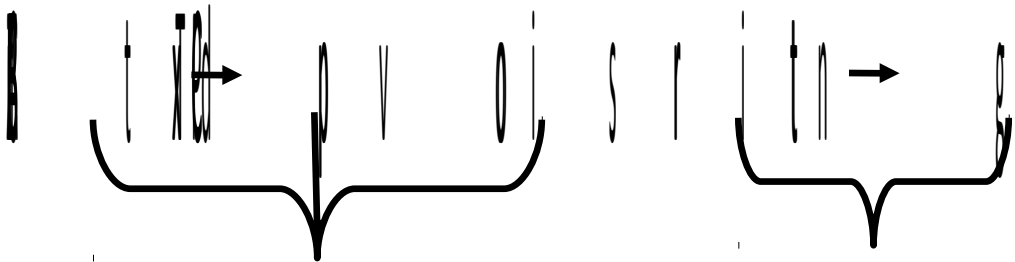
7.1.2 Export L/C:

There are a number of formalities, which an exporter has to fulfill before and after shipment of goods. These formalities or procedures are enumerated as follows-

- 1)Obtaining Export Registration Certificate (ERC)
- 2)Obtaining EXP
- 3)Signing of the Contract
- 4)Receiving the Letter of Credit
- 5)Procuring the materials
- 6)Shipment of goods
- 7)Presentation of export documents for negotiation
- 8)Examination of Document
- 9)Negotiation of export documents

7.2 EXPORT PATTERN AT MTBL

Handwritten text: "D... C... v... e... a... D... il... /... nc... C... e"



Realization

Realization

Core Process

7.3 GRAPHICAL PRESENTATION

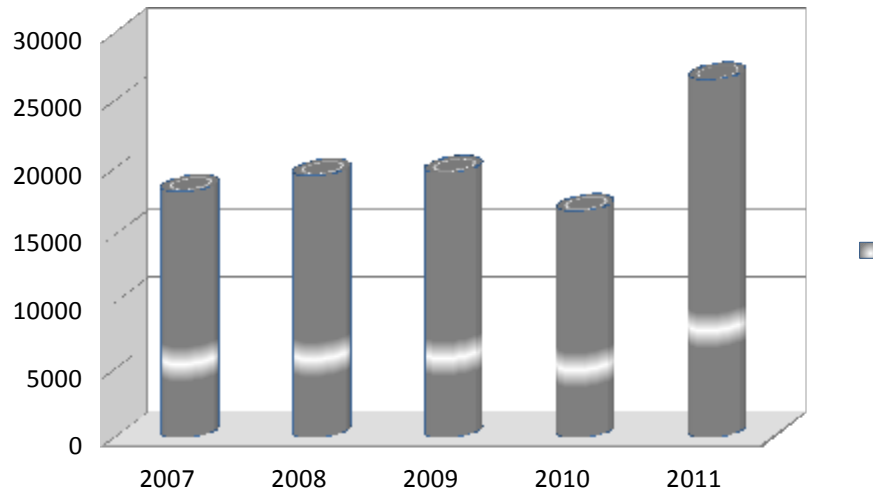


Figure 10: Total export MTBL

Figure 15 illustrates total exports of Mutual Trust Bank Ltd from 2007-11. Total exports fluctuates over the year and not in a satisfactory position till 2009-10 but in 2010-11 it takes a new turn and increased very rapidly.

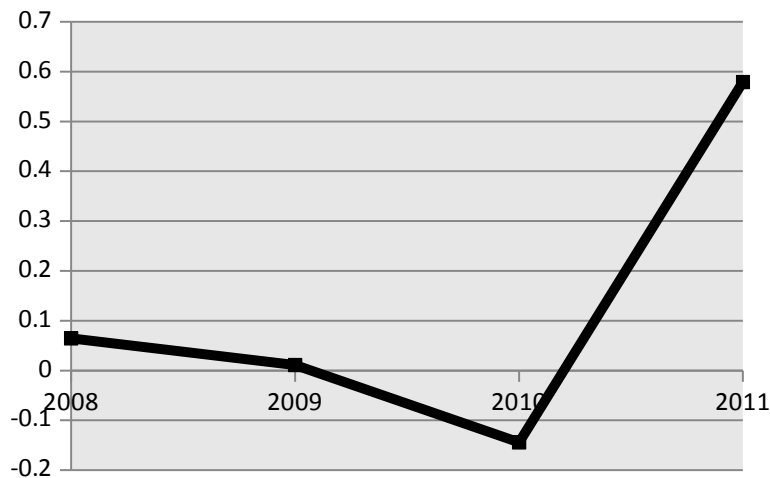


Figure Growth of export MTBL

Figure 16 illustrates Growth of export of Mutual trust Bank Ltd. It fluctuates a lot over the year it decreases in 2008-09 and faced a great decrease in 2009-10. That is a result of economic recession. During 2010-11 it increases dramatically at a higher rate.

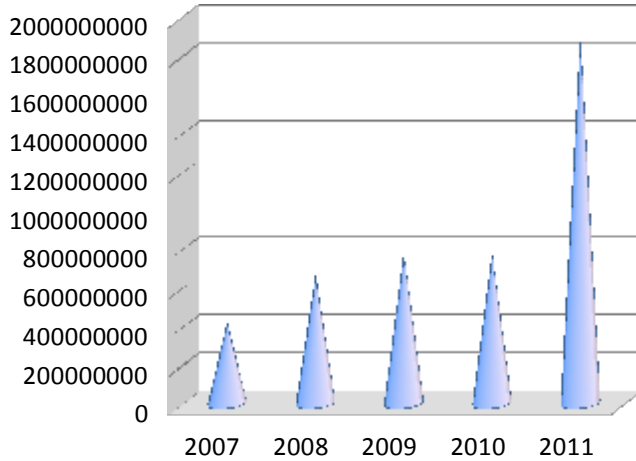


Figure 17 illustrates bills those are presented in MTBL by exporters for collection. this increases every year in a stable increasing trend and in 2010-11 it increases at a huge rate.

Figure: Bills for collection MTBL

Figure 18 represents composition of export bills which are presented by exporters for collection at MTBL. Local documentary bills are highest amount then Foreign Documentary bills & Foreign bills are at lowest amount.

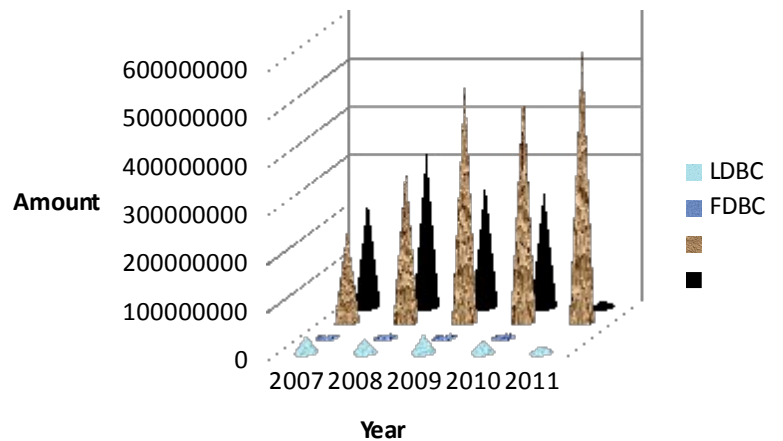


Figure 11: Composition of Bills for collection

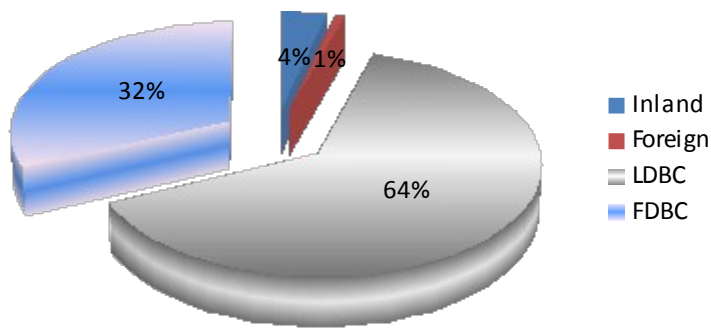


Figure 19 represents Composition of export bills in 2011. In this year LDBC are at highest percentage with 63%, FDBC are 32% and in second position and foreign bills are only 1% of total bills

Figure: Bills for Collection 2011

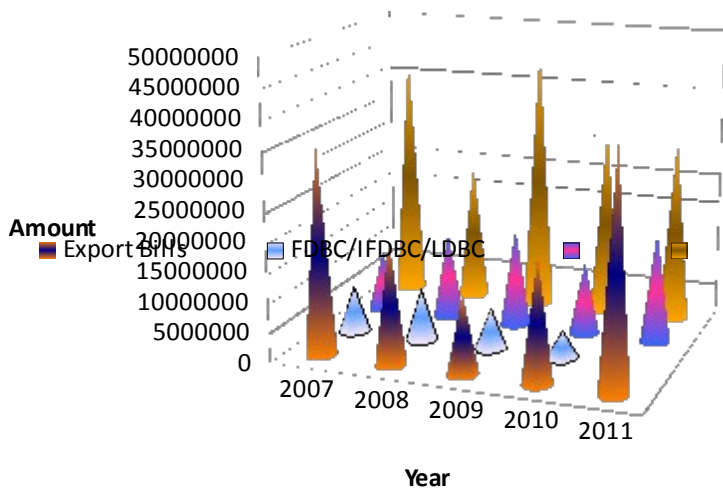


Figure 20 illustrates commissions Mutual Trust Bank earns from export services. It earns highest commission from documentary credits and lowest from export bills. Acceptance of export bills also generates huge commission.

Figure: Commission from Export services

Figure 21 illustrates export commission of 2011 of Mutual Trust bank Ltd. Its earns 33% of commission from documentary bills, 42% from acceptance of bills, 20% from export bills and 5% from L/C advising

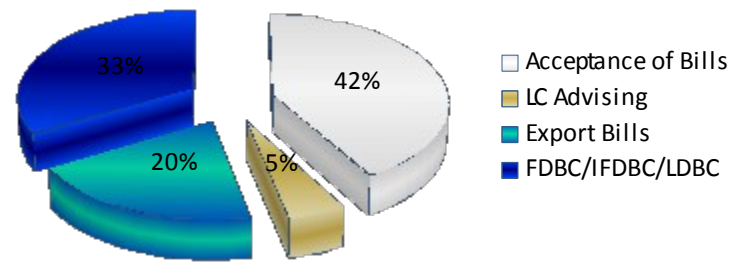


Figure: Commission from Export Services 2011

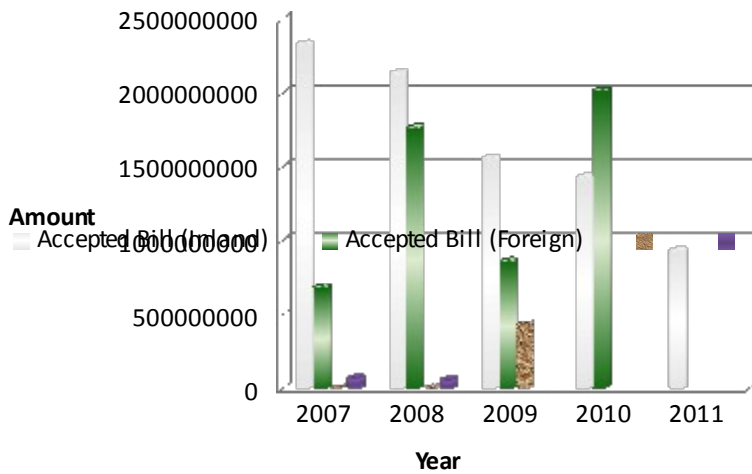


Figure 22 illustrates other exports bills rather than inland bill. But this commissions are at decreasing rate cause bank is focusing more on its core services rather than other services

Figure 12: Other Export Bills

7.4 Top Exporters		
1	Readymade Garments	Pride Group
2	Battle Nut	Tirupati Industries
3	Fish	Sylvan Agriculture
4	Crab	Garib Newaz Trade Ind.
5	Rice	Matin & company
6	Jute	Williams agency
7	Food Item	Pran Exports
8	Lather	Ramim Exim
9	Power Drink	Pran Exports

Table 2: Top Exporters

Table 2 illustrates Top exporters of Mutual trust Bank Ltd from different sectors. A readymade garment is its most exported product and pride group exports highest in this category. It exports a very minimum amount of Power drinks and pran export is the only exporter of this product.

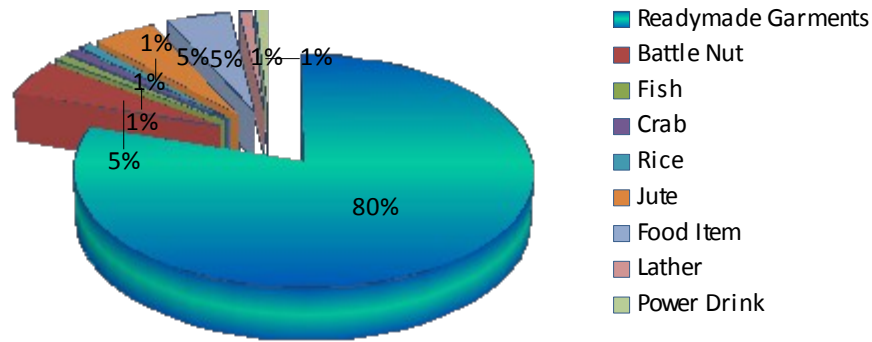
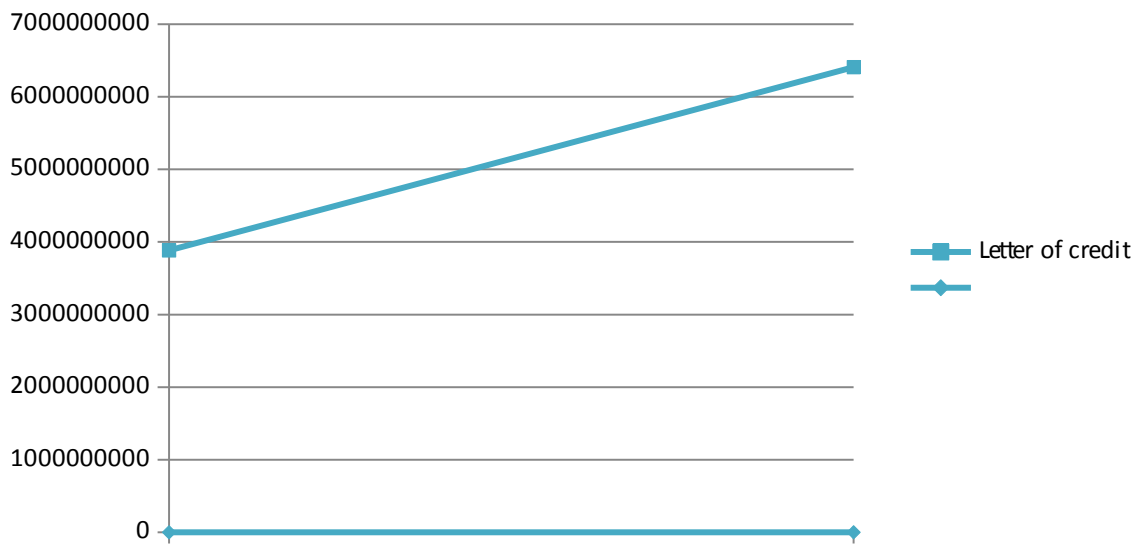


Table: Top exported goods MTBL

Figure 3 illustrates top exported goods of Mutual Trust Bank Ltd. As readymade garment is the highest export product of Bangladesh it also highest for MTBL.80% of its exported products are readymade garment, it also exports a small number of food item jute and battle nut.

8.00 Trend of L/C operation through MTBL(Year Analysis)

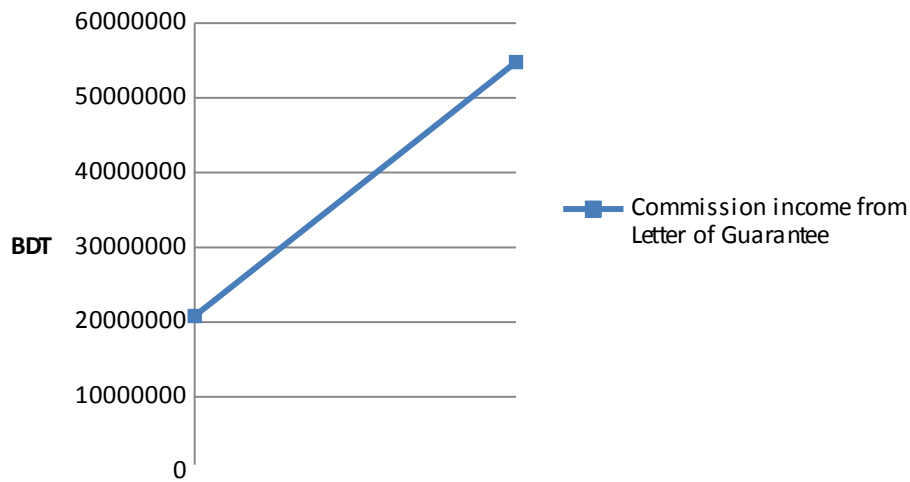
MTBL helps to deal business that conducted globally between buyers and sellers who have never met each other and in all likelihood may never meet each other, yet do successful ongoing business with each other. The average Exporter and Importer are most likely not in a position to visit each other but like other commercial bank MTBL managed them to be an efficient trading partner. However, MTBL fulfil both parties those who have the necessity to do business. International Trade is about Risk and Trust between contracting parties and we need to balance this friction between Risk and Trust. MTBL is balancing between trade and risk helps to doing international trade. As a helper of international trade in 2011 MTBL opened L/C amount of 3,884,813,778BDT and in 2012 amount is 6,409,873,550. After watching this we conclude that L/C as a part of international trade MTBL increase their L/C operation and become a part of guranteer of international trade.



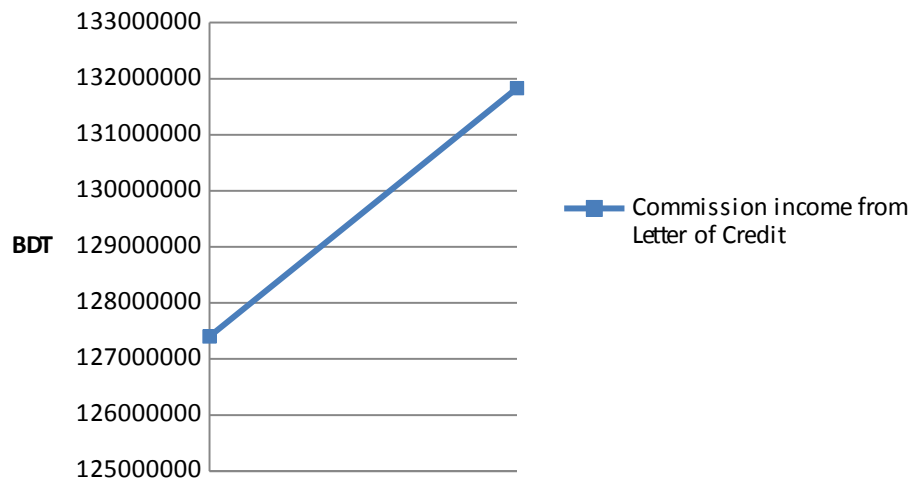
9.00. Commission Income of MITS in various Categories

In Mutual trust Bank International trade and service department (MITS) income come from various activities related with Trade and service within country or in foreign country. Basically incomes mostly come from commission in various categories. MITS charge commission from their regular operation. Here I compare the Income of year 2011 and 2012.

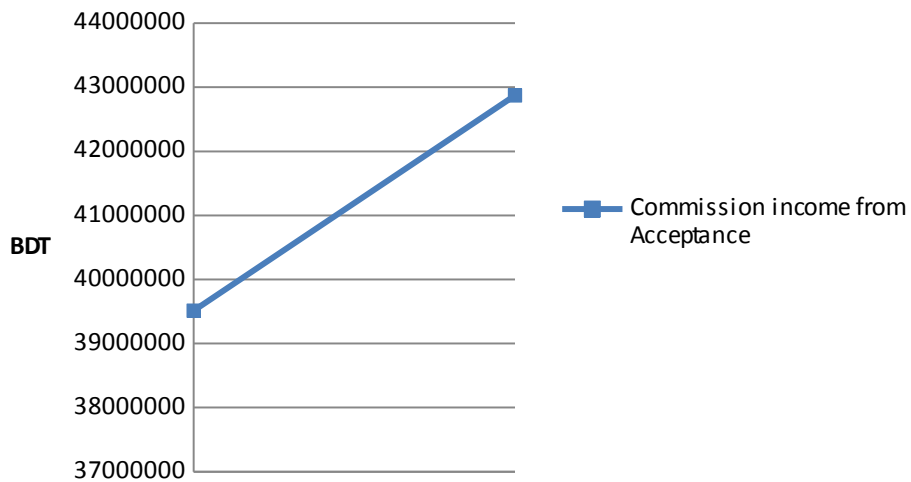
Commission income from letter of Guarantee was in 2011 BDT 20,827,446 and it increase to 54,796,221 in 2012.



In 2011 Commission income from letter of credit was 127,401,345 that increase to 131,833,436 in 2012.

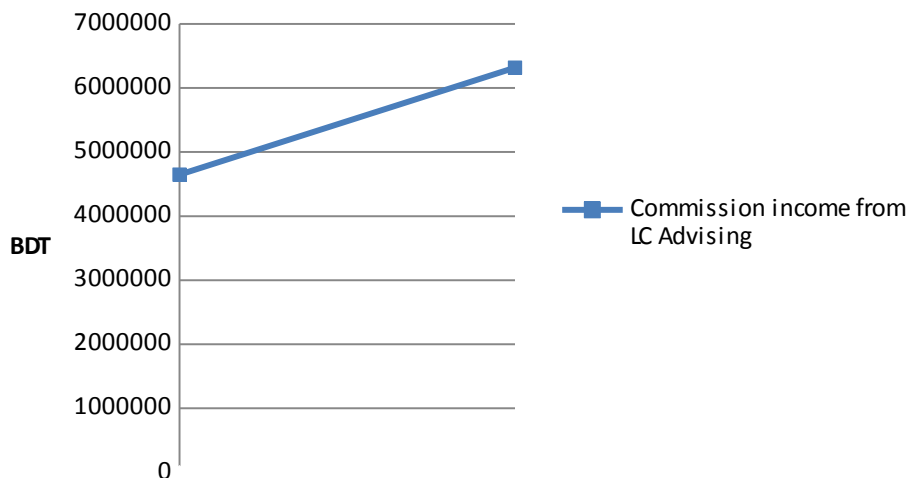


Acceptance is one of the parts of L/C procedure. MITS charge commission for giving acceptance. In 2011 commission from acceptance was 39,513,002 and in 2012 commission from acceptance was 42,870,358

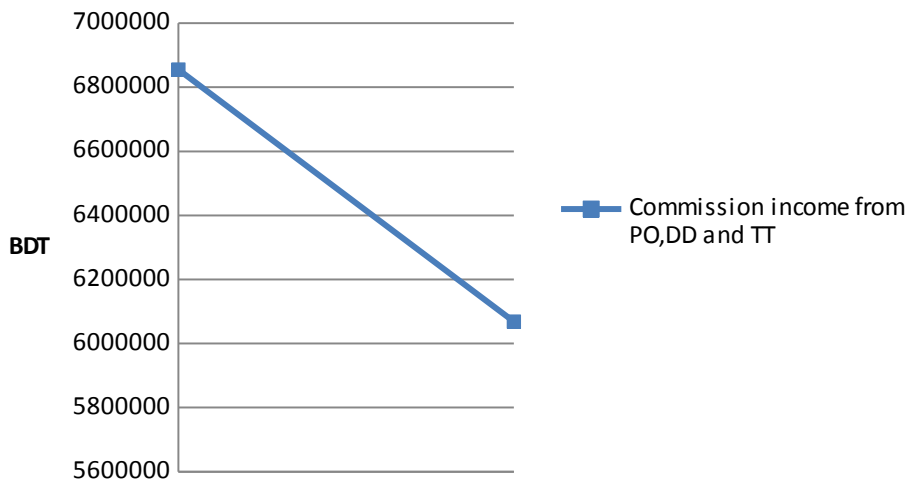


MITS advice L/C as their day to day operation keeps commission for it.

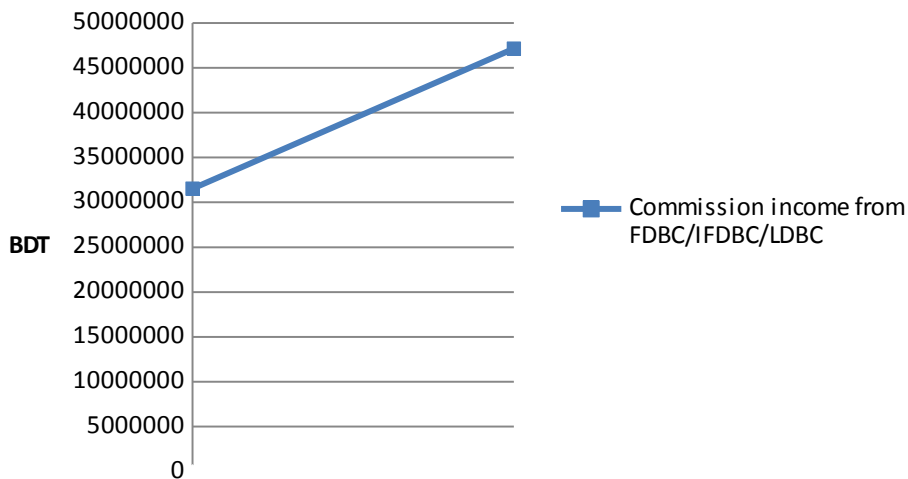
In 2011, they earned commission BDT 4,648,563 and in 2012, they earned commission BDT 6,318,244.



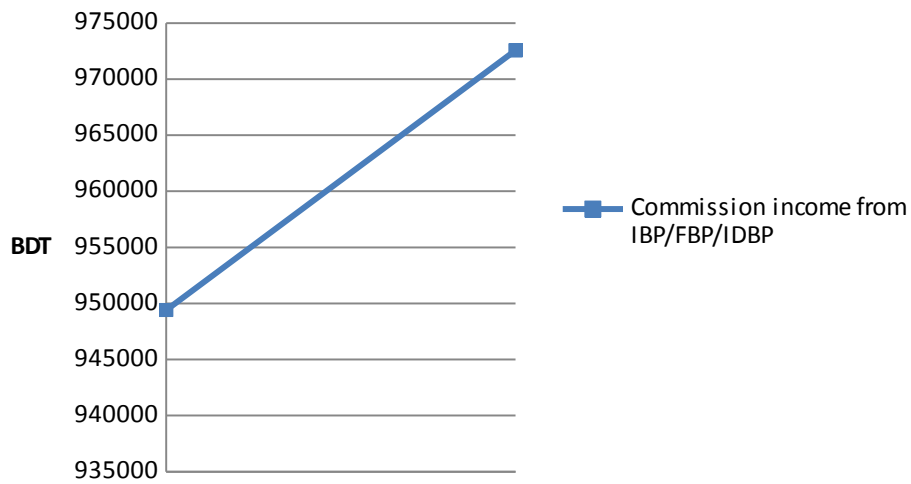
MITS issue Demand draft, payment order and Telegraphic transfer. And they earned commission from it. In 2011 commission income from PO, DD and TT was 6,855,015 BDT and in 2012, 6,068,849 BDT.



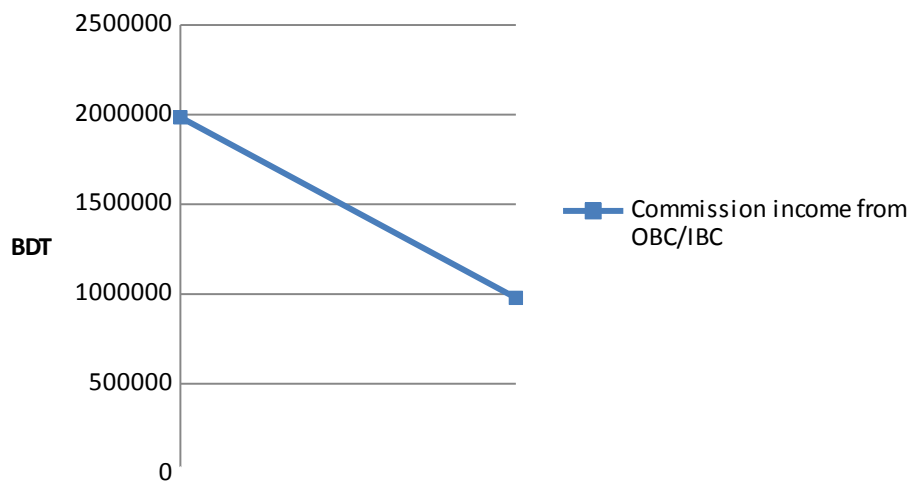
Mutual trust bank take bill for collection. For example- FDBC/IFDBC/LDBC. For this they charged commission.. Commission income from FDBC/IFDBC/LDBC in 2011 was 31,530,122 and in 2012 this income increase to 47,134,768



Commission income from IBP/FBP/IDBP was 949,410BDT in 2011 that increased to 972,567BDT.



Income from commission from OBC/IBC was in 2011 BDT 1,985,007 that decreased to 978,649 in 2012.



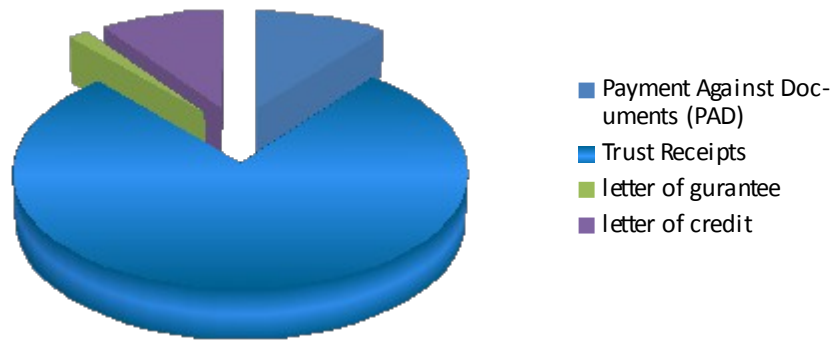


Figure 13: Interest & Commission 2011

Figure 29 illustrates commission & interest earnings from import. MTBL earns highest interest from trust receipt facility and payment against document. Earn least from letter of guarantee.

10.00 Problems in international Trade at MITS:

Documentation and proper presentation:

Both exporters and importers have to prepare several documents which involve expenditure. And sometime they present wrong documents.

Problems in payments:

Every country has its own currency and the rate at which one currency can be exchanged this fluctuating change in exchange rate create additional risk.

Import and export restrictions:

Every country charges customs duties on imports to protect its home industries. Similarly, tariff rates are put on exports of raw materials. MITS has to maintain those tariff restrictions.

11.00 By working in foreign exchange division of Mutual Trust Bank Ltd. the following matters have been observed (Findings):

- Import and Export has great contribution to total national Economy and it is increasing day by day. MTBL is taking part of that.
- MTBL open a different section MITS for international trade and service which leads to scope of employment of expert of this Sector.
- MITS always follow the rules and regulation of Bangladesh Bank. MITS always maintain the instruction of Bangladesh Bank and help them to keep record of Import- Export and Local trade.
- MITS contribute to total profit of MTBL as well as to total export – import and Local trade of our country.
- Process of MITS is decentralized.
- The Growth of MITS is increasing day by day.
- The monitoring system of the foreign exchange department of MTB is excellent. The chain of command is strictly maintained here. The executives now and then visit the department, which keeps all the officers alert about their duty.
- Although the bank uses Flora Banking software to operate their daily business, they still have technology phobia and they have lack of proper IT knowledge.
- It is observed that the exporters are very much eager for receiving incentives from Bangladesh Bank rather very much reluctant to fulfil bank's rules and regulations.
- The department shall only remain engaged with the documentary aspects of International Trade like opening L/C's for all types of import and negotiation of export bills.

11.1 RECOMMENDATIONS

It is clear that the Mutual Trust Bank Ltd. Foreign Exchange Branch has ensured both productive utilization of loans and their recovery in due time, thus helping to improve the overall status of the Bank. The branch success has been made possible due to dynamic leadership of the Branch Management, proper guidelines, good counsel and devotion and sincerity of all categories of officers and the employees of the Branch. The branch learns through a process of trial and error. A large number of ideas about its loans, operations, recovery etc. are generated from the innovative and dynamic members of the branch. The branch tries out these ideas and

attempts to improve upon the results. However the branch may have scope to improve in a few areas. For example:

- 01.** The number of exporter and importer who operate through this bank is not enough to achieve the goal. So MTBL should offer more facilities to attract them to be their client.
- 02.** In addition with the present services they should include more services. It is badly needed to provide more services to the customer in order to compete in the market.
- 03.** Banking is a service-oriented marketing. Its business profit depends on its service quality. That's why the authority should always be aware about their service quality.
- 04.** Foreign exchange department should be fully computerized that the exchange process would be convenient for both the bankers and the clients
- 05.** Bank should offer more facilities to the customers such as credit card, visa card, ATM machine etc to survive in the competition.
- 06.** The loan sanction process should be easier that the clients can feel convenient to take loan from the bank.
- 07.** Now a day's world is going very fast. Today most of the competing banks are offering online service system. So in order to compete in the world market the branch should adopt online banking system.
- 08.** The Branch should diversify its banking services and add new features in its services so that it can attract customers from all groups of people. Financial Engineers of MTBL should be innovative in developing new banking services, which will attract customers and reduce costs. It can provide bridge loan, or can engage in lease financing. It can also underwrite shares of newly incorporated public companies.
- 09.** One of the business strategies is promotion. Successful business depends how they can promote their products or services to the customers. In this connection to improve the business status the branch should introduce more promotional programs.
- 10.** The loan sanction procedure of the branch should be relaxed. Head office and the regional office should not try to dictate every aspect of the credit sanctioning process, which is creating problem for the branch.

12.00 Conclusion:

It is a great pleasure for me to have practical experience in Mutual Trust Bank Ltd. This Internship program is an integral part of BBA student. Mutual Trust Bank Limited (MTBL) is a third generation private commercial bank in the country with commendable operating performance directed by the mission to provide prompt and different services to clients. It provides a wide range of commercial banking services MTBL has achieved success among its peer group within a short span of time with its professional and dedicated team of management having long experience, commendable knowledge and expertise in conversation with modern banking. It also achieved very good will in foreign trade and service by providing excellent, dynamic and innovative service. MITS has the adequate modern technology to meet its present requirement of Global demand.

ABBREVIATIONS

A	A/C	Account
	AML	Anti Money Laundering.
B	B/E	Bill of Exchange
	BB	Bangladesh Bank
	B/L	Bill of Lading
C	CCI&E	Chief Controller of Import & Export
	CFR	Cost & Freight
	CIP	Carriage & Insurance Paid
	CIF	Cost Insurance & Freight
D	DD	Demand Draft
	DP Note	Demand Promissory Note
	D.A	Documents against Acceptance
E	EPB	Export Promotion Bureau
	ERC	Export Registration Certification
	EXP From	Export From
F	FCA	Foreign Currency Account
	FDBC	Foreign Document Bill Collection.
	FDBP	Foreign Document Bill Purchase
	FOB	Free On Board.
	FER	Foreign Exchange Regulation
	FDBC	Foreign Document Bill Collection.
	FTT	Foreign Telegraphic Transfer
	FCC	Foreign Currency Clearing.
	FDD	Foreign Demand Derft.
FCAD	Foreign Currency Account in Dollar.	
G	GP	Gross Profit
	HOCC	Head Office Credit Committee
	HS Code	Harmonic Symbolized Code

H	HO	Head Office
	HP	Hire Purchase
	HRD	Human Resources Department.
I	ID	International Division
	IDBP	Inland Documentary Bill for Purchase
	ITC	International Trade Control
	IRC	Import Registration Certificate
	IBC	Inward Bills for Collocation
	IBCA	Inter Branch Credit Advice
	IBDA	Inter Branch Debit Advice
	IMP From	Import From
	IBCT	Inter Branch Credit transaction
	ICD	Industrial Credit Deviation
	IMF	International Monetary Fund.
	IPO	Import Policy Order
	J	JV
K	KYC	Know Your Customer.
L	L / C	Letter of Credit
	LCAF	Letter of Credit Authorization From
	LIM	Loan Against Imported Merchandise
	LTR	Loan Against Trust receipt
M	MTBL	Mutual Trust Bank Ltd.
	ML	Money Laundering
	MSI	Medium Scale Industries
N	NP	Net Profit
O	OBC	Outward Bill for Collection
	OGL	Open General License
P	PO	Payment Order
	PSI	Pre Shipment Inspection
	PAD	Payment Against Document
	PC	Packing Credit
	PRC	Proceed Realization Certificate
R	ROA	Return on Asset
	RMG	Readymade Garments
	SOD	Secured Overdraft

S	SSI	Small-Scale Industries
	SWIFT	Society for Worldwide Inter-bank Financial Telecommunication
	STD	Short Term Deposit
T	TT	Telegraphic Transfer.
	TOD	Temporary Over-draft
	TM	Transfer Miscellaneous
U	TR	Truck Receipt
	UCPDC	Uniform Custom & Practices for Documentary Credit.

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