Sonargaon University

Thesis Report

On

"Foreign Exchange Operation of Commercial Banks"

Submitted To

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Prof. Abul Kalam

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Subject: Submission of thesis report on "**Foreign Exchange Operation of Commercial Banks".**

Dear Sir,

It gives me enormous pleasure to submit the thesis report on "Foreign Exchange Operation of Commercial Banks". I expect this report to be informative as well as comprehensive. While conducting the report, I have gathered lots of knowledge about foreign exchange and many unknown facts, problems and prospects of the foreign exchange process. I believe that the experience I acquired from this study will facilitate me a lot in my future career life.

It has also to be mentioned that without your expert advice and cooperation it would not have been possible to complete this report. I shall be pleased to answer any short of query you may have regarding the report.

Sincerely yours,

Md. Emran Hussain

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SONARGAON UNIVERSITY

To Whom It May Concern

This is to certify that the thesis report on "Foreign Exchange Operation of Commercial Banks" For the degree Master of Business Administration (MBA) major in Supply Chain Management (MSCM) from Sonargaon University carried out by Md. Emran Hussain ID No: MSCM2103024004 under my supervision. No part of the internship report has been submitted for any degree diploma, title, or recognition before.

Prof. Abul Kalam

Dean, Faculty of Business Administration

Department of Business Administration

Sonargaon University (SU).

Acknowledgement

At the beginning, I would like to express my sincere gratitude to Almighty, the most merciful and beneficial for empowering me to prepare the report within the scheduled time.

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Last of all I would like to express my thanks to the authors whose books I consulted providing valuable information and suggestion in respect of preparing this report.

Abstract

Banking sector in Bangladesh thus comprises of Central bank, and nationalized banks for both specialized financial and commercial sector, joint venture private banks, Bangladeshi private banks and foreign banks. The objectives of the study are to know the foreign trade operations of a bank, to evaluate the performance of foreign exchange division, to estimate the cost of export, import and remittance. The scope is limited to different investment schemes, modes, mechanism, investment proposal appraisal procedures, monitoring and documentation of commercial banks, foreign exchange operations. Limitation in gaining accesses to financial sector, bank software & confidential documents. To perform the study, the data sources were to be identified and collected, to be classified, analyzed, interpreted and presented in a systematic manner.

IFIC Established in 1976 as an Investment & Finance Company under arrangement of joint venture with Government of Bangladesh. Mercantile Bank Limited has been incorporated on May 20, 1999 in Dhaka, Bangladesh as a limited company with the permission of the Bangladesh Bank. Banks mission is to provide service to the clients with the help of a skilled and dedicated work force whose creative talents, innovative actions and competitive edge make their position unique in giving quality service to all institutions and individuals that they care for. Vision is to be best private commercial bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong liquidity. MBL stood 15 Branches all over the country up to 2001. Risk is an integral part of the Banking business and Bank's aim is to deliver maximize shareholders' value by achieving an appropriate trade-off between risk and returns. The Human Resource Management Division is committed to ensuring that the Bank attracts, recruits, develops, retains and sustains a high performing, diverse work force by developing and implementing progressive human resource management policies and strategies.

Foreign Exchange operation is a process which is converted one national currency into another and transferred money from one country to another country. International trade refers to trade between the residents of two different countries. Each country functions as a sovereign State

with its set of regulations and currency. Foreign Exchange Department is international department of Bank. It deals globally. It facilities international trade through its various modes of services. It bridge between importers and exporters. Import section of any Bank deals with L/C opening and post import financing. Documentary letter of credit is such kinds of commercial letter which a Bank issue on behalf of foreign seller (exporter) according to the direction of the (importers) purchasers. “Foreign remittance” means purchase and sale of freely convertible foreign currencies as admissible “Foreign Exchange Regulations Act-1947” and “Guidelines For Foreign Exchange Transaction.

Every organization is composed of some internal strengths and weaknesses and also has some external opportunities and threats in its whole life cycle. Graphical presentation shows 2010 to 2014 comparison of overall foreign exchange business, Banks Import, comparison of export business, remittance sector, gross profit ratio margin, return on equity, return on asset, net profit margin ratio, debt to equity ratio, debt to total asset, financial leverage ratio, total asset turnover, fixed asset turnover.

Major findings of the study are Banks follows the traditional Banking system, the entire Banking procedure is not fully computerized, poor service quality, technical problems reduce the performance of the branch and extend the span of time resulting in loss (financial) and providing less service to both the bank and customers.

After analyzing **Foreign Exchange Operations of Commercial Banks,** It can be said that overall performance of this department of IFIC Bank, Mercantile Bank is satisfactory.

Banking industry in Bangladesh is now on the right track. The Banks are contributing much than the previous years for the growth and development of the country. Credit for such contribution by the industry goes to the Bangladesh Bank. Consumers are more or less satisfied with the present services of the banks. Management should think to start new services and take different types of marketing strategy to get more customers in this competition market of banking.

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Chapter 1
Introduction

1.1 Background of the Study

Banking sector is the driving force for an economic growth of a country. Every commercial bank acts as financial intermediary whose main aim is to earn profit through borrowing and lending funds in the profitable sectors and it also issues different types of credit instruments. Therefore the banking system occupies an important place and plays significant role in a nation's economy building process. Necessarily, banking sector also ensures commendable contribution in the economic development of a country and forms the core of the money market in an advanced country. This sort of financial intermediary accepting deposits and granting loans; offers the widest menu of services for different business ventures. Commercial banks have significantly expanded their financial services to the clients and governments around the world. The current business environment is very dynamic and fast charging. That is why every professional has to possess clear concept regarding these changes and he/she needs to confirm to these changing environments. In order to become a real professional candidate needs to enter into practical business world. A professional is a person who is skilled in the theoretical, scientific and practical aspect of an occupation and who performs with a high degree of competence & integrity. This thesis program assisted me to develop professional attitude towards banking business & environment.

Basically, this study will help to construct a skillful tenure in banking sector. This report has been prepared in the light of practical as well as theoretical knowledge.

1.2 Rationale of the Study

Banks perform a significant role to serve the needs of the society in different sectors, such as: capital formation, large scale of production, Industrialization, growth of trade and commerce etc. and banks are contributing a lot of aspect. Economic development of a country is very much dependent on the Banking system. Its role to the economic reconstruction of a developing country like Bangladesh can never be ignored. In Bangladesh we have inherited the British Branch banking prevailing at the preliberation period. The phenomenal growth of bank branches and we expansion of bank business in both volume and dimension posed some serious management problems. Banking sector in Bangladesh thus comprises of Central bank, and nationalized banks for both specialized financial and commercial sector, joint venture private banks, Bangladeshi

private banks and foreign banks. This multi-disciplinary banking system plays a dynamic role in shaping the country's economy to its desired objective.

This report is broadly organized into two board parts. The first part (first 3 chapters) is an overview of the organization itself. The second part concentrates on the assigned topic "A study on the Foreign Exchange operations of Commercial banks." Finally it includes the evaluation of Foreign Exchange performance, findings, and recommendation to make understood the scope of overall Foreign Exchange with its constraints of commercial banks.

1.3 Objective of the Report

Thesis report is prepared as a requirement for the complementation of the BBA program of the School of Business, Stamford University Bangladesh.

1.3.1 General Objective:

The board objective of the study is to prepare report on "Foreign Exchange Operation of Commercial Banks".

1.3.2 Specific Objective:

- To know the foreign trade operations of a bank.
- To evaluate the performance of foreign exchange division.
- To evaluate the return on export, import and remittance.
- To find out the contributions of foreign exchange business of a bank in its overall earnings.
- To get a brief idea about operational procedure, export & import business.
- To estimate the cost of export, import and remittance.
- Foreign exchange earnings as compared to total earnings interest income and noninterest income.
- To familiarize different rules and regulations of export and import formalities.

1.4 Scope of the Report

The scope of this paper is limited to the organizational structure, background, and objectives, functions, and investment performance of commercial banks as a whole. The scope is also limited to different investment schemes, modes, mechanism, investment proposal appraisal procedures, monitoring and documentation of commercial banks, foreign exchange operations.

1.5 Limitations of the Study

In all respect some limitation and weakness remain within which I failed to escape by any means. These are follows:

- To continue study in such a vast area requires a big deal in time. To complete this report I had only three months' time, which was not enough.
- To collect information required, I faced difficulty because of the excessive nature of confidentiality maintained by the officials of commercial banks.
- Difficulty in gaining accesses to financial sector, bank software & confidential documents.
- In most cases I simply did not have any option but to furnish data without verification.
- Getting Relevant papers and documents were strictly prohibited.
- Non-availability of the most recent statistical data.
- Shortage of written materials.

In spite of all this limitations I have put the best effort as far as possible in developing the study.

1.6 Methodology

The study requires a systematic procedure from selection of the topic to preparation of the final report. To perform the study, the data sources were to be identified and collected, to be classified, analyzed, interpreted and presented in a systematic manner and key points were to be found out. The overall process of methodology has been given as below.

1.6.1 Research Design:

This is an "Exploratory Research", which briefly reveals the "Foreign Exchange Operations of commercial banks." Data have been collected from both primary and secondary sources.

Sources of Data:

This study is mainly based on secondary data available from the various divisions of commercial banks, in addition to these other necessary information have been collected

from the daily news papers, relevant journals, annual reports of IFIC Bank, Mercantile Bank Ltd and EXIM Bank.

Primary sources of data:

- Direct observations
- Expert opinion
- Conversation with the Clients

Secondary sources of data:

- Annual report
- Procedure manual
- Files and documents
- Different circulars
- Different papers
- Online data

1.6.2 Duration

Twelve weeks within the period of three months' thesis program.

1.6.3 Tools Used for Analysis

Both the Qualitative as SWOT and quantitative as Trend & Ratio analysis tools are used to analyze the data. After collecting all the data, they have been coded and data have been Preceded, analyzed and graphically represented using MS Word & MS Excel.

Chapter 2
Literature Review

Literature review

The international monetary systems refer primarily to the set policies, institutions, practices, regulations and mechanisms that determine the rate at which each currency is exchanged for another **(Shapiro, 2001)** in the trading of currencies & settlement & facilitation of international trade and investment. If there was a single international currency, there would be no need for a foreign exchange market.

The purpose of foreign exchange market is to enhance transfer of purchasing power dominated in one currency for another currency. The foreign exchange market is not a physical place rather is an electronically linked network of banks, foreign exchange brokers and dealers whose function is to bring together buyers and sellers of foreign exchange. It is not confined to any one country, but is dispersed throughout the leading financial centers of the world **(Shapiro, 2001).**

Foreign exchange market consists, of two tiers, the interbank market in which major banks & financial institutions trade with each other and the retail market in which banks deal with their commercial customer **(Redhead and Hughesis, 1988).** The major participants in the foreign exchange market are the large commercial banks, foreign exchange brokers in the interbank market, commercial customers-primarily multinational corporations and Central Banks which intervene from time to time in the market to smoothen exchange rate fluctuations or to maintain target exchange rates.

Exchange rates represent the number of units of a given currency of one country that can be exchanged for unit of another currency **(Van Horne, 1996).** Today foreign exchange has been the talk of the town, and this is because foreign exchange plays a very crucial role in the overall performance of the national economy. The practice of managing foreign exchange resources has therefore evolved broadly in line with the globalization and liberalization of economics and financial market. This has played over such areas as risk management and active portfolio management. Broadly speaking foreign exchange is held and managed to fac ilitate international transactions **(Anifowoshe, 1997).**

Consequently, some of the objectives which management of foreign reserve seeks to achieve include security, liquidity, profitability and adequacy of the reserves. **Nwakwo,** 2001, was of the opinion that foreign exchange major tasks is to ensure that the reserves are maintained at an adequate level to serve as cushion or buffer at times of temporary

foreign short falls in foreign exchange receipt. In fact such a respite enables country to put its house in order and adopt necessary measures to deal with the external shock destabilizing the economy **(Nwakwo, 2001).**

Foreign exchange is a subset of external reserves but typically it constitutes the bulk of the reserves. In fact it is the component that issued on daily basis for settlement of international transactions hence foreign exchange management refers to the technique of efficient and optimal holding and deployment of the nation's foreign exchange reserves to meet its external obligations and other economic objectives; as assigned by the Central Bank.

Indeed the consolidation of the external reserves holding has foisted on the banks the challenges of adoptive and sharpening management skills that would ensure that the reserves are not only conserve but also optimally deployed for essential needs. This has over the years entailed designing ways of effectively monitoring the use of foreign exchange resources.

The use of trade and exchange controls as tools of reserve management involved comprehensive restrictions on trade and other inter-national transactions. The main objectives here are to ensure that foreign exchange reserve, are conserved and adequate to guarantee external stability and that the available resources are optimally used to promote domestic production **(Anifowoshe, 1997).**

Bengt Pramborg, in this study, "Foreign Exchange Risk Management by Swedish and Korean Non Financial Firms: A Comparative Survey", 2002, makes a comparison of hedging practices of Swedish and Korean Firms. The evidence suggests that Korean firms are more concerned about fluctuations in their cash flows whereas Swedish firms focus on accounting numbers. Derivatives usage is more popular for hedging among Swedish firms as compared to Korean firms. It may be a result of relative immaturity of Korean derivative markets. In both of the countries, majority of firms use a profit based approach to evaluate any risk management strategy. The study depicts that the decision to hedge foreign exchange exposure is driven by the level of exposure and size of a firm.

Bradford Cornell and Alan C. Shapiro, in their article, "Managing Foreign Exchange Risks", provides step by step guidance for the formulation of an effective strategy for managing currency risk.

Chapter 3
Background of the Organization

IFIC Bank

3.1 An Overview of IFIC Bank

During 28th January 1965 The Eastern Banking Corporation inaugurated its operation in East Pakistan as a commercial bank. After 6 months of its inauguration it has got the status of Schedule Bank. It was the first Bengali Owned commercial Bank. After liberation the Eastern Banking Corporation was changed by name as **International Finance Investment and Commerce Bank Limited** (IFIC Bank Ltd).

International Finance Investment and Commerce Bank Limited (IFIC Bank) is a banking company incorporated in the People's Republic of Bangladesh with limited liability. It was set up at the instance of the Government in 1976 as a joint venture between the Government of Bangladesh and sponsors in the private sector with the objective of working as a finance company within the country and setting up joint venture banks/ financial institutions abroad. The Government held 49 per cent shares and the rest 51 per cent were held by the sponsors and general public. On June 24, 1983 when the Government allowed banks in the private sector, IFIC was converted into a full-fledged commercial bank. The Government of the People's Republic of Bangladesh now holds 35% of the share capital of the bank. Leading Industrialists of the country having vast experience in the field of trade and commerce own 34% of the share capital and the rest is held by the general public.

3.2 Mission, Vision, Strategy statement

Mission:

IFIC mission is to provide service to the clients with the help of a skilled and dedicated work force whose creative talents, innovative actions and competitive edge make their position unique in giving quality service to all institutions and individuals that they care for. They are committed to the welfare and economic prosperity of the people and the community, for they derive from them their inspiration and drive for onward progress to prosperity. In an intensely competitive and complex financial and business environment, they particularly focus on growth and profitability of all concerned.

Vision:

To be best private commercial bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong liquidity.

Strategy:

IFIC Bank Limited mainly follows top down approach to take necessary decisions for the company. Basically they follow the centralize strategy where the Head Office of the Bank control and monitor all the activity of its branches. In case of marketing strategy they basically depend on "word of mouth" as they are already well reputed for its long-term service in the banking industry. The strategic priorities of IFIC bank are:

1. To strive for sound business growth by ensuring customer satisfaction through quality and timely services.
2. To manage and operate the Bank in the most efficient manner to ensure achievement of goal.
3. To maintain adequate capital flow to support further growth.
4. To ensure effective and efficient risk management for sustainable business growth.
5. To diversity loan portfolio through structured finance and expansion of Corporate, SME, Agri and Retail businesses.
6. To mount state-of-the-art technologies and adopt innovative ideas for financial inclusion.
7. To groom human resources for serving customers efficiently.
8. To increase brand visibility by creating positive image of the bank.
9. To be a trend-setter in serving the society and remain responsive to the environment.
10. To ensure sound corporate governance.
11. To facilitate mobility in banking by up gradation of internet and mobile banking.
12. To add value for all stakeholders.

3.3 Ownership Structure

The Government of the People's Republic of Bangladesh now holds 35% of share capital of the Bank. Leading industrialists of the country vast experience in the field of trade and commerce own 34% of the share capital and the rest 31% is held by the general public.

3.4 Composition of the board

SL. No	Name of the Director	Designation
1.	Mr. Mohammad Lutfar Rahman	Chairman
2.	Mr. Abu Tahir Mohammad Golam Maruf	Director
3.	Mr. Murshed Murad Ibrahim	Director
4.	Mr. Aminur Rahman	Director
5.	Mr. Md. Yasin Ali	Director
6.	Mr. Didarul Alam	Director
7.	Chowdhury Nafeez Sarafat	Director
8.	Mr. Gulzar Alam Chowdhury	Director
9.	Mr. Tanim Noman Sattar	Director
10.	Mr. Mahmudul Huq Bhuiyan	Director
11.	Mr. Arastoo Khan	Director
12.	Mr. Syed Monjurul Islam	Director
13.	Mr. Mohammad Ali Khan	Director

Table-1: Composition of the board of IFIC Bank

3.5 Capital and Reserve

Capital		Reserve	
1.Authorized Capital:		**1.Statutory Reserve:**	
Year	Taka(in million)	Year	Taka(in million)
2020	20000	2020	2833
2021	20000	2021	3374
2022	20000	2022	3910
2.Paid up Capital:		**2.Other Reserves:**	
Year	Taka(in million)	Year	Taka(in million)
2020	3460	2020	188
2021	3807	2021	187
2022	4378	2022	173

Table-2: Capital and Reserve of IFIC Bank

3.6 Risk Management

Risk in banking organization is possibility that the outcome of an action or event could bring up adverse impact. Being a financial intermediary Banking Business is exposing to more risks. Therefore all sorts of risks must be identified, measured and managed properly in order to ensure sustainable growth in the banking business comparing to challenging financial and economic environment. Risk is an integral part of the Banking business and IFIC Bank's aim is to deliver maximize shareholders' value by achieving an appropriate trade-off between risk and returns.

3.6.1 Credit Risk Management (CRM):

Banking industry is going through a rapid change and considering the complex situation of the industry it is inevitable to upgrade and update the existing policies and processes. IFIC Bank Limited is no exception and it is continuously innovating, updating its policies and processes to meet the changes, challenges and requirements of industry, market, regulator and customers.

3.6.2 Remedial Asset Management:

Non-Performing Loans (NPL), which result from intentional or unintentional non-repayment by the borrowers, are an issue of serious concern for the Bank since these loans jeopardize Bank's growth/position by creating hindrance to the flow of interest income and forcing the Bank to arrange/maintain loan loss provision from the income of the Bank.

Remedial Asset Management has a Recovery Policy which was lastly amended by the Board of Directors in its 570th emergency meeting held on 17 November 2011 for strengthening recovery of Non-Performing Loans.

On the basis of above recovery policy and related circulars of Bangladesh Bank, RAM Division has taken following steps for improvement of quality of Assets and increasing of profitably of the Bank:

1. Providing Specific Action Plan
2. Rescheduling of NPLs
3. Foreclosure of Security
4. Waiver of Interest
5. Writing-off classified Loans

With a concerted effort, percentage of classified loans compared to total loans & advances stands 4.75% as on 31 December 2014.

RAM Division also performs Loan Classification and Provisioning exercise on quarterly basis as per Bangladesh Bank circulars.

3.6.3 Foreign Exchange Risk Management:

Foreign exchange risk is the potential changes in earnings arising due to exchange rate fluctuations, adverse exchange position or changes in the market price. Such risk may arise from position held in various foreign exchange products like spot, forward and options. Foreign exchange risk management is fundamental for safe and sound management of all institution having exposure to foreign currencies.

3.6.4 Asset Liability Management:

Asset Liability Management (ALM) is an integral part of Bank Management. The Bank has a structured and systematic process to manage liquidity, Interest rate and Balance sheet. For managing core risks in banking, for effective monitoring of ALM and to make important decisions related to ALM, a Committee named, Asset Liability Committee (ALCO) has been constituted with the Senior Management of the Bank. The ALCO is responsible to:

- Ensure adequate liquidity at all times
- Ensure adequate capital to meet business and regulatory requirements
- Diversify funding
- Establish asset and liability pricing policies to protect liquidity structure

3.6.5 Internal Control & Compliance:

Internal Control & compliance is a process, affected by the Board of Directors of the Bank through Senior Management so that every individual is responsible for achievement of specific objectives to ensure operations efficiently and compliance with applicable laws & regulations.

3.7 Joint Ventures Abroad

3.7.1 Oman International Exchange LLC, Oman:

Oman International Exchange LLC (OIE), a joint venture between IFIC Bank Limited and Oman National, was established in 1985 to facilitate remittance by Bangladeshi wage earners in Oman. IFIC Bank holds 25% shares and the balance 75% is held by the Omani sponsors. The exchange company has a network of 12 branches covering all the major cities/towns of Oman. By now the company has established direct remittance service with 8 countries viz. Bangladesh, India, Indonesia, Nepal, Pakistan, Philippines, Qatar, Sri Lanka, and U.A.E.

The affairs and business of the company is run and managed by the Bank under a Management Contract.

3.7.2 Nepal Bangladesh Bank Ltd. Nepal:

Nepal Bangladesh Bank Ltd. (NB Bank), a joint venture commercial bank between IFIC Bank Ltd. And Nepali nationals, started operation with effect from June 06, 1994 in Nepal with 50% equity from IFIC Bank Ltd. The Bank has so far opened 17 branches at different important locations in Nepal. IFIC Bank presently holds 40.90% shares in NB Bank.

3.7.3 NIB Bank Ltd. Pakistan:

IFIC Bank established two branches in Pakistan, one at Karachi and the other at Lahore. Karachi Branch was opened on 26th April 1987, while the Lahore Branch was opened on 23rd December 1993.

Since late 1990s, the State Bank of Pakistan (SBP) revised the Minimum Capital Requirement (MCR) for banks in Pakistan time and again. To meet the MCR, a new bank has been incorporated in Pakistan in 2003 titled NDLC-IFIC Bank Ltd. (subsequently renamed as NIB Bank Ltd.) Thereafter, there Pakistan branches and a local leasing company, NDLC were amalgamated with the NIB. Consequently, their Pakistan Branches ceased to exist effective from 3rd October 2003 with the commencement of operation of the new bank.

IFIC Bank's share capital in the bank reduced significantly from original 20% pursuant to enhancement of share capital of the bank.

3.7.4 Bank of Maldives, Maldives:

IFIC is the first among the banks in the private sector to have operations abroad. In 1982, the Bank setup a joint venture bank in Maldives known as "Bank of Maldives Limited" (BML) at the request of the Government of the Republic of Maldives. This is the only national bank in the country having wide branch network. IFIC Bank managed the affairs of BML from 1982 to 1992. IFIC Bank sold its shares in 1992 to the Government of the Republic of Maldives and handed over the Management of BML to Maldives Government.

3.7.5 Nepal Bangladesh Finance & Leasing Ltd.:

Commenced operation on April 18, 1999 in Nepal with 30% equity from IFIC Bank, the joint venture finance company was merged with NB Bank on September 18, 2007 as per decision of the shareholders.

3.8 Key Figures of IFIC Bank

Name of the Company	International Finance Investment and Commerce Bank Limited (IFIC)
Legal Form	IFIC Bank Limited was incorporated in Bangladesh and registered with the Registrar of Joint Stock Companies and Firms as a public company limited by shares.
Authorized Capital	Tk. 20000 million
Paid up Capital	Tk. 4377.50 million
Listing Status	Listed with Dhaka Stock Exchange Ltd. (DSE) and Chittagong Stock Exchange (CSE) in 1986 and 1997 respectively.
Market Category	'A' Category
TIN	210-200-0537, LTU, Dhaka.
VAT Reg. Number	9021077014
Swift	IFIC Securities Limited, IFIC Money Transfer (UK) Limited.
Name of Chairman	Salman F Rahman
Name of managing Director & CEO	M. Shah Alam Sarwar
Name of CFO	S. M. Abdul Hamid
No. of the Employees	2527
No. of Branches	120
No. of Shareholders	44444
Slogan of IFIC Bank	"Your Satisfaction Fast".

Table-3: Key Figures of IFIC Bank

3.9 Human Resources Division (HRD)

Since efficient Human Resource is one of the most essential requirements for survival in this competitive world, the Bank always puts magnitude on the resource so as to drive the organization towards its goal.

The Human Resource Management Division is committed to ensuring that the Bank attracts, recruits, develops, retains and sustains a high performing, diverse work force by developing and implementing progressive human resource management policies and strategies. Our core competencies include recruitment and staffing, employee relations, organizational and employee development, compensation & benefits, HRIS and regulatory compliance.

The division takes leadership in fostering a positive work environment that places high value on professional and collaborative work relationships while recognizing the importance of individual contributions. It encourages and maintains open communication channels within the Bank.

Following figures show HR Health in 2022:

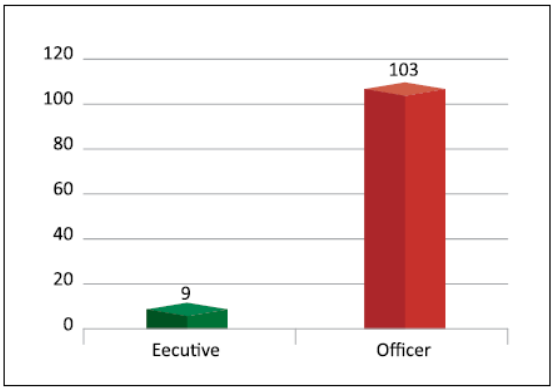


Figure-1: Joining Status 2022

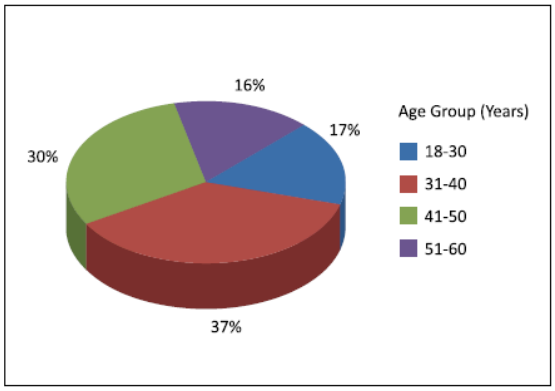


Figure-2: Aging Analysis

With rapid technological changes around the world, automation has been a crucial area of development for any organization especially for service oriented firms like banks. Accordingly, Human Resource Management Division of the Bank has adopted wide-ranging HR software – Orbits. The software operates a central HR database with a number of extensive workflows, notifications and analytical reports.

3.10 District – wise Branch distribution

Division	Number of Branch
Dhaka	83
Chittagong	36
Barishal	06
Sylhet	12
Khulna	14
Rajshahi	12
Rangpur	06
Mymensingh	06

Table-4: District – wise Branch distribution of IFIC Bank

Mercantile Bank Limited

3.1 An Overview of Mercantile Bank Limited

Banking system occupies an important place in a nation's economy. A banking institution is indispensible in modern society. It plays a liberalization of economic policies in Bangladesh. Mercantile Bank Limited emerged as a new commercial bank to provide efficient banking services with a view to improving the socio-economic development of the country.

Mercantile Bank has been incorporated on May 20, 1999 in Dhaka, Bangladesh as a limited company with the permission of the Bangladesh Bank; MBL commenced formal commercial banking operation from the June 2, 1999. The bank stood 15 Branches all over the country up to 2001. The Authorized Capital of the Bank is 12000.00 million taka and the paid up capital is 6599.00 million taka as on December 31, 2013. The Bank provides a broad range of financial services to its customers and corporate clients. The Board of Directors consists of eminent personalities from the realm of commerce and industries of the country.

MBL undertakes all types of banking transactions to support the development of trade and commerce in the country. MBL's services are also available for the entrepreneurs to set up new ventures and BMRE of industrial units. The bank gives special emphasis on Export, Import, Trade Finance, SME finance, Retail Credit and Finance to women Entrepreneurs. To provide clientele services in respect of International Trade it has established wide correspondent banking relationship with local and foreign banks covering major trade and financial centers at home and abroad.

MBL emerged as a new commercial bank to provide efficient banking services and to contribute socio-economic development of the country. With the passage of time it has expanded its number of branches and variety of services along with its core business of taking deposits and granting loans. Rising trend of the bank's profitability over the last 8 years is also materialized. The MBL is committed to the delivery of the superior shareholders' value. Foreign Exchange Department of the bank is one of the most important departments. Now it has become the backbone of the bank. With the aim to be the 'Bank of Choice', it is operating in the industry with a team of devoted personnel to excel both their own career and the bank's future.

3.2 Mission, Vision, Strategy Statement:

Mission:

Mercantile Bank Limited aims to become one of the leading banks in Bangladesh by prudence, flair and providing quality of operations in their banking sector. The bank has some mission to achieve the organizational goals. Some of them are as follow as:

- MBL provides high quality financial services to strengthen the well-being and success of individuals, industries and business communities.
- Its aim is to ensure their competitive advantages by upgrading banking technology and information system
- MBL intends to play more important role in economic development of Bangladesh and its financial relations with the rest of the world by interlining both modernistic and international operations.
- It encourages investors to boost up share market and also creates wealth for the shareholders.
- Mercantile Bank Limited extend highest quality of services, which attract the customers to choose them first.
- The bank intends to meet the needs of their clients and enhance their profitability by creating corporate culture.

Vision:

"Would make first corporate citizen" is the main vision of MBL. MBL dreams to become the "Bank of Choice" of the general public that includes both the consumer and the corporate clients. It has created a cadre of young professionals banking profession which has helped boosting productivity in the bank.

Strategy:

- To achieve positive Economic Value Added (EVA) each year.
- To be market leader in product innovation.
- To be one of the top three Financial Institutions in Bangladesh in terms of cost efficiency.
- To be one of the top five Financial Institutions in Bangladesh in terms of market share in all significant market segments they serve.

3.3 Ownership Structure

The Board of directors consists of eminent personalities from commerce and industry of the country. Mr. Md. Abdul Jail, the founder chairman of the board of directors, is a businessman besides being an eminent personality of the country. The last Government had been pleased to induct him as a Senior Cabinet Minister with the portfolio of Commerce.

The Bank is manned and managed by highly qualified and efficient professionals. The chief executive officer of the Bank is Mr. M. Taheruddin who has rich experience of managing both the nationalized and the private sector banks as Managing Director.

Mr. Lutfar Rahman sarker who born in 1935, initiated his banking carrier from Habib Bank Limited as a provisionary officer. Then he served as Managing Director in Agrani Bank, Sonali Bank, Islami Bank Bangladesh Limited and Prime Bank Limited. The Chief Advisor of the Bank is the former Governor of the Central Bank of Bangladesh. He brings with him a wealth of experience of managing both the public and private sectors banks.

3.4 Composition of the board

SL No.	Name of the Director	Designation
1.	Al-Haj Akram Hossain	Chairman
2.	M. S. Ahsan	Vice Chairman
3.	Md. Abdul Hannan	Vice Chairman
4.	A.K.M. Shaheed Reza	Director
5.	Dr. Mahmood Osman Imam	Director
6.	Md. Shahabuddin Alam	Director
7.	M. Amanullah	Director
8.	A. S. M. Feroz Alam	Director
9.	Md. Anwarul Haque	Director
10.	Mohd. Selim	Director
11.	Morshed alam, M.P	Director
12.	Al-Haj Mosharref Hossain	Director
13.	Dr. Md. Rahmat Ullah	Independent Director
14.	M Ehsanul Haque	Managing Director & CEO

Table-5: Composition of the board of MBL

3.5 Capital and Reserves

Capital		Reserve	
1.Authorized Capital:		**1.Statutory Reserve:**	
Year	Taka(in million)	Year	Taka(in million)
2020	8000.00	2020	3119.68
2021	12000.00	2021	3765.42
2022	12000.00	2022	4223.12
2.Paid up Capital:		**2.Other Reserves:**	
Year	Taka(in million)	Year	Taka(in million)
2020	6110.75	2020	753.36
2021	6599.61	2021	852.29
2022	7391.57	2022	1137.11

Table-6: Capital and Reserves of MBL

3.6 Risk Management

Mercantile Bank Limited adopted well-articulated Risk management strategies for ensuring long-term sustainable growth of the Bank. The Board of Directors has the overall responsibility of ensuring that organizational structure, policies, standards, guidelines and procedures are in place for efficient risk management and being implemented properly. The Board approves risk management policies and also sets prescribed internal risk level/appetite, to identify and manage risks with efficacy. Effective risk management warrants the need of availability of skilled pool of manpower to adopt and implement good practices to keep up the institutional interest with reputation. Their bank's adopted Risk management process is as follows:

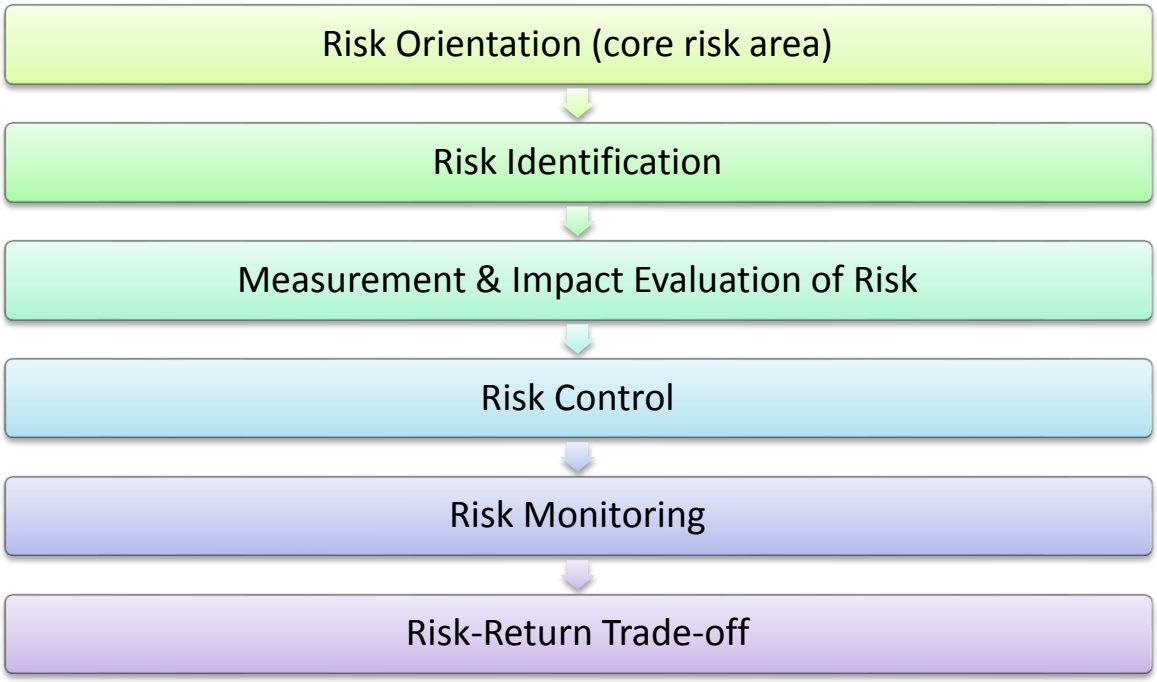


Figure-3: Risk Management Process of MBL

3.6.1 Credit Risk Management:

Credit Risk/ counter party risk is the potential risk that a bank borrower or counterparty may fails to meet its financial obligation in accordance with agreed terms, resulting in financial loss to the bank. Credit Risk Management of MBL capitulates is passed through the following procedures:

- Articulated Credit policy Guideline
- Credit risk Grading Process

- Proper Assessment of Credit Proposal
- Rationalize Lending Process
- Segregated credit Administration Department
- Credit Monitoring & CL Provisioning Department
- Special Asset Management Department

3.6.2 Market Risk Management:

Market Risk is defined as the risk of losses in on and off-balance sheet positions arising from movements in market price. Major market risks include: Interest rate risk, Foreign Exchange risk and Equity risk. MBL's strategies to address these risks are as under:

3.6.2.1 Managing Interest rate risk:

MBL's Interest rate risk management are:

- ✓ Market Trend analysis
- ✓ Interest Rate Sensitivity Analysis
- ✓ Gap analysis

3.6.2.2 Managing Foreign Exchange Risk:

MBL's Foreign Exchange risk Management strategies are:

- ✓ Prudent policy guideline and Manuals with a view to reducing the Foreign Exchange Risk
- ✓ Treasury Division of the Bank manages and controls day-to-day trading activities under the supervision of ALCO that ensures continuous monitoring of the level of assumed risks.
- ✓ All foreign exchange transactions are revalued at Mark-to-Market method according to Bangladesh Bank's guidelines and position maintained by the Bank at the end of day within the stipulated limit prescribed by Bangladesh Bank.

3.6.2.3 Equity Price Risk Management:

MBL's Equity Price Risk Management Strategies are:

- ✓ Investment policy emphasizing on portfolio diversification

- ✓ Mark-to-Market valuations procedures
- ✓ Where Margin loan is allowed, security of investment, liquidity of securities, reliability of earnings and risk factors are considered professionally.

3.6.3 Liquidity Risk Management:

Liquidity risk refers to the risk that comprises failure of a bank to meet its obligation due to shortfall of cash and cash equivalents and also loss of opportunity to invest in potential high yielding assets. Liquidity Risk also triggers from other financial risks like that of excessive non-funded exposure perceiving the opportunity loss equivalent to actual loss of non funded business (off balance sheet).

3.6.4 Managing Operational Risk:

Board of Directors and Senior Management of Mercantile Bank Limited has established an organizational culture that places high priority on the agenda to ensure effective operational risk management and adherence to sound operating controls. Senior management transforms the strategic direction given by the Board through operational risk management policy.

3.6.5 Managing Internal Control and Compliance Risk:

Better internal control pre supposes introduction of standardize operating procedures in all the core risk areas to maximize the attainment of preset objects be ensuring compliance with the prescribe rules & regulation adopted by the regulatory bodies synchronizing with the internal policy perception.

3.6.6 Managing Money laundering risk:

MBL's ANTI-Money Laundering policies are:

- ✓ Duly filled in KYC (Know Your Customer) from is mandatory for account opening
- ✓ Monitoring of unusual transaction and reporting the same to Bangladesh Bank
- ✓ Prohibited any types of transaction with shell banks
- ✓ Prevention of financing of terrorism and financing of proliferation of weapons of mass destruction

3.6.7 Managing Information Technology risk:

MBL's information Technology Risk management strategies are:

- ✓ Clear policies and procedures by defining roles and responsibilities of all relevant officials.
- ✓ Segregated job descriptions and responsibilities to minimize IT Risk
- ✓ Need based trainings are being conducted time to time to handle the IT Risk in an efficient manner

3.7 Key Figures of Mercantile Bank

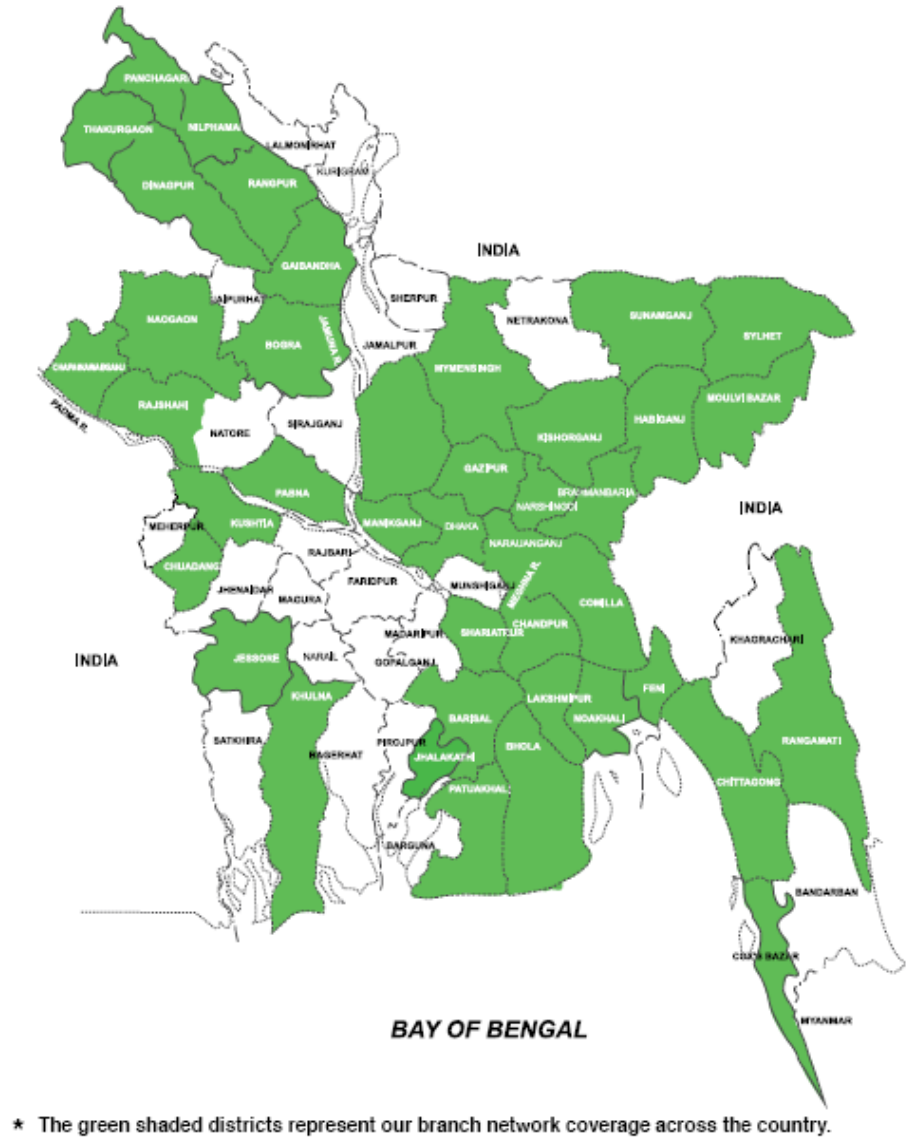
Name of the Bank	Mercantile Bank Limited
Status	Public Limited Company
Date of Incorporation	May20, 1999
Date of Commencement	June 02, 1999
Subscription for shares	October 21-22, 2003
Listed in Dhaka Stock Exchange	February 16, 2004
Listed in Chittagong Stock Exchange	February 26,2004
Head Office	61, Dilkhusa Commercial Area, Dhaka-1000
Chairman	Mr. Md. Abdul Jail
Managing Director	M Ehsanul Haque
Number of Branches	91
Number of Employees	1814
Services Provided	Deposit Scheme, Credit Facility and Foreign Exchange Services
Diversification of Product and Services	Corporate Banking and Retail Banking
Technology Used	Member of SWIFT, Online Banking, UNIX Based Computer system
E-mail	mbl@bol-online.com
Website	www.mblbd.com
SWIFT	MBLBBDDH

Table-7: Key Figures of MBL

3.8 Human Resource Development

In today's competitive business environment, the quality of human resources makes the difference. The Bank's commitment to attract high quality persons to work for it is reflected in the efforts of the Bank. In the face of today's globalization, the Bank envisages to develop highly motivated workforce and equip them with latest skills and technologies. The Bank evolves human resources development strategy with a view to ensuring good working environment, a high level of loyalty and commitment, devotion and dedication on the part of the employees.

3.9 District – wise Branch distribution



★ The green shaded districts represent our branch network coverage across the country.

Figure-4: District – wise Branch distribution of MBL

Chapter 4
Foreign Exchange Operation of Commercial Banks

Foreign Exchange Operation of IFIC Bank Limited

4.1 Definition of Foreign Exchange

Foreign Exchange operation is a process which is converted one national currency into another and transferred money from one country to another country.

Foreign Exchange Dept. is the international dept. Bangladesh bank issues license to scheduled banks to deal with foreign exchange. These banks are known as Authorized Dealers. If the branch is authorized dealer in foreign exchange market, it can remit foreign exchange from local country to foreign countries. So, IFIC bank is an authorized dealer.

According to Mr. H. E. Evitt. Foreign exchange is that section of economic science which deals with the means and method by which right to wealth in one country's currency are converted into rights to wealth in terms of another country's currency. It involved the investigation of the method by which the currency of one country is exchanged for that of another, the causes which rented such exchange necessary the forms which exchange may take and the ratio or equivalent values at which such exchanges are affected. Foreign exchange is the rate of exchange in the both country's currency.

4.2 Foreign Trade and Foreign Exchange

International trade refers to trade between the residents of two different countries. Each country functions as a sovereign State with its set of regulations and currency. The difference in the national of the exporter and the importer presents certain peculiar problems in the conduct of international trade and settlement of the transactions arising there from. Important among such problems are:

a) Different countries have different monetary units;
b) Restrictions imposed by countries on import and export of goods
c) Restrictions imposed by nations on payment from and into their countries.

4.3 Foreign Exchange Department

Foreign Exchange Department is international department of Bank. It deals globally. It facilities international trade through its various modes of services. It bridge between importers and exporters. If the branch is authorized dealer in foreign exchange market, it can remit foreign exchange from local country to foreign country. This department mainly deals in foreign currency. This is why this department is called foreign exchange department.

4.4 Principles of Foreign Exchange

The following principles are involved in Foreign exchange:

a) The entire system
b) The media used
c) The monetary unit

4.5 Function of Foreign Exchange

The Bank actions as a media for the system of foreign exchange policy. For this reason, the employee who is related of the bank to foreign exchange, specially foreign business should have knowledge of these following functions:-

a) Rate of exchange
b) How the rate of exchange works
c) Forward and spot rate
d) Methods of quoting exchange rate
e) Premium and discount
f) Risk of exchange rate
g) Cause of exchange rate
h) Exchange control
i) Convertibility
j) Exchange position
k) Intervention money
l) Foreign Exchange transaction
m) Foreign exchange trading
n) Export and import letter of credit

o) Non-commercial letter of trade
p) Financing of foreign trade
q) Nature and function of foreign exchange market

4.6 Export

When good and services are brought from your country to other countries for the fulfillment of their customer needs, their own needs is called export & who is involving in this procedure is called exporter.

4.6.1 Advantages of Exporter:

a) Undertaking: A superior undertaking of the bank under the letter of credit assures the importer then when the documents are tendered as per the turns of the credit payment would be made to him.

b) Controlling: The exporter is absolved of the botheration of knowing in details the exchanges control regulations of the importer country and is also increased to some extent against charges in such regulation

4.7 Import

When goods and services are brought from the country for the fulfillment of the customer needs or their own needs is called import who is involving in this procedure is called importer.

4.7.1 Advantages of importers:

a) Ability: The letter of credit enables the importer of purchase materials without making full advance payment.

b) Assurance: If the importer task certain safe guards, like calling for packing list, Invoice ate. The quality and quantity of goods consigned is assured.

c) Without payment: Prided the buyer has buying credit with the prime bank he may get goods released by the bank under trust without payment and pay for then on sale.

4.8 Import Procedure

Import section of any Bank deals with L/C opening and post import financing i.e. LIM & LTR. Now the procedure from opening L/C to disbursement against L/C is given below.

Definition of L/C:

On behalf of the importer if the Bank undertakes to make payment to the foreign bank is known as documentary credit or letter of credit.

A letter of credit is an instrument issued by a bank to a customer placing at the letters disposal such agreed sums in foreign currency as stipulated. An importer is a country requests his bank to open a credit in foreign currency in favor of his exporter at a bank in the letters country. The letter of credit is issued against payment of amount by the importer or against satisfactory security. The L/C authorizes the exporter to draw a draft under is terms and sell to a specified bank in his country. He has to hand over to the bank, will the Bill of exchange, shipping documents and such other papers as may be agree upon between the exporter and the importer. The exporter is assured of his payment because of the credit while the importer is protected because documents in respect of export of goods have to be delivered by the exporter to the paying bank before the payment is made.

A letter of credit may be two forms. These as below:

a) **Revocable letter of credit:** If any letter of credit can be amendment or change of any clause or canceled by consent of the exporter and importer is known as revocable letter of credit. A revocable letter of credit can be amended or canceled by the issuing bank at any time without prior to the beneficiary. It does not constitute a legally binding undertaking by the bank to make payment. Revocation is possible only until the documents have been honored by the issuing bank or its correspondent. Thus a revocable credit does not usually provide adequate security for the beneficiary.
b) **Irrevocable letter of credit:** If any letter of credit cannot be changed or amendment without the consent of the importer and exporter is known as irrevocable letter of credit. Irrevocable credit constitutions a firm undertaking by the issuing bank to make payment. It therefore, gives the beneficiary a high

degree of assurance that he will paid to his goods or services provide he complies with terms of the credit.

Types of Letter of Credit:

Letters of credit are classified into various types according to the method of settlement employed. All credits must clearly indicate in major categories.

a) **Sight payment credit:** The most commonly used credits are sight payment credits. These provide for payment to be made to the beneficiary immodestly after presentation of the stipulated documents on the condition that the terms of the credit have been complied with. The banks are allowed reasonable time to examine the documents.

b) **Deferred payment credit:** Under a deferred payment credit the beneficiary does not receive payment when his presents the documents but at a later date specified in the credit. On presenting the required documents, he received the authorized banks within undertaking to make payment of maturity. In this way the importer gains possession of the documents before being debited for the amount involved. In terms of its economic effect a deferred payment credit is equivalent to an acceptance credit, except that there is no bill of exchange and therefore no possibility of obtaining money immediately through a descant transaction. In certain circumstances, however, the banks payment undertaking can be used as collateral for an advance, though such an advance will normally only be available form the issuing or confirming bank. A discountable bill offers wider scope.

c) **Acceptance Credit:** With an acceptance credit payment is made in the form of a tern bill of exchange drawn on the buyer, the issuing Bank or the pendent bank. Once he has fulfilled the credit requirements, the beneficiary can demand that the bill of exchange be accepted and returned to him. Thus the accepted bill takes the place of a cash payment. The beneficiary can present the accented bill to his own bank for payment at maturity or for discounting, depending on whether or not he wants cash immediately. For simplicities sake the beneficiary usually gives on instruction that the accepted bill should be left in the safekeeping one of the banks involved until it matures. Bill of exchange drawn under acceptances credit usually has a term of 60-180 days. The purpose of an acceptance is to give the importer time to make payment. It he sells the goods before payments fall due, he

can use the proceeds to meet the bill of Exchange in this way, he does not have to borrow money to finance the transaction.

d) **Negotiation Credit:** Negotiation means the purchase and sale of bill of exchange or other marketable instruments. A negotiation credit is a commercial letter of credit opened by the issuing bank in the currency of its own country and addressed directly to the beneficiary. The letter is usually delivered to the addressee by a correspondent bank. This credit is sometimes also as hand on credit. The letter of Credit empowers the beneficiary to draw a bill of exchange on the using bank, on any other named drawer or on the applicant for the credit. The beneficiary can present this bill to a bank for negotiation, together with the original letter of credit and the documents stipulated therein. Payment of the bill of exchange is guaranteed by the issuing bank on the condition that the documents presented by the beneficiary are in order. The most common form of negotiation credit permits negotiation by any bank. In rare case the choice is limited to specified banks.

e) **Red clause credit:** In that case of a red clauses credit, the seller can obtain an advance for an agreed amount from the correspondent bank, goods that are going to be delivered under the documentary credit. On receiving the advances, the beneficiary must give a receipt and provide a written undertaking to present the required documents before the credit expires. The advance is paid by the correspondent bank, but it is the using bank that assumes liability. If the seller does not present the required documents in time and fails to refund the advance, the correspondent bank debits the issuing bank with the amount of the advances plus interest. The issuing bank, in turn, has reveres to the applicant, who therefore bears the risk for the advance and the interest accursed. The clause permitting the correspondent bank to make an advance used to be written on red in home the name red clause credit.

f) **Revolving Credit:** Revolving credit can be used when goods are to be delivered in installment at specified intervals. The amount available at any one time is equivalent to the value of one partial delivery. A revolving credit can be cumulative or non-cumulative mean that amount from unused or incompletely used portions can be carried forward to subsequent period. If a credit is non-cumulative, portions not used in the prescribing period case to be available.

g) Standby credit: Standby credit is encountered principally in the US. Under the laws of most US states, banks are prohibited from issuing regular quarantines, so credits are used instead. In Europe, too the use of this type of credit is increasing by virtue of their documentary credit, stand-by credit are governed by the UCP. However, their function is that of a grantee. The types of payment and performance that can be guaranteed by stand-by credits include the following:

- Payment of thorium bill of exchange
- Repayment of bank advance
- Payment of goods delivered
- Delivery of goods in accordance wets contract and
- Execution of construction contracts, supply and install contracts.

In order to enforce payment by the bank, the beneficiary merely presents a declaration stating that the applicant for the credit has failed to meet his contractual obligation. This declaration may have to be accompanied by other documents.

h) Transferable credit: Transferable credits are particularly well adapted to the requirements of international trade. A trader who receives payment from a buyer in the form of a transferable documentary credit can use that credit to pay his own supplier. This enables him to carry out the transaction with only a limited and lay of his own funds. The buyer supplies for an irrecoverable credit issued in the traders favors. The issuing bank must expressly designate the credit as transferable. As soon as the trader receives the confirmation of credit he can request the bank to transfer the credit to his supplier. The bank is under no obligation to affect the transfer except in so far as it has expressly consented to do so. The costs of the transfer are usually charged to the trader and the transferring bank is entitled to delete them in advance.

Parties to Letter of Credit:

1. Importer (Buyer)/ Applicant
2. The Issuing Bank (Opening Bank)
3. The Advising Bank (Notifying Bank)
4. Exporter/Seller (Beneficiary)
5. Confirming Bank

6. Negotiating Bank
7. The Paying/Reimbursing/Accepting/Remitting Bank

4.9 Procedure of the opening the L/C

The importer after receiving the Performa invoice from the exporter, by applying for the issue of a documentary credit, the importer request his bank to make a promise of payment to the supplier. Obviously, the bank will only agree to this request if it can rely on reimbursement by the applicant. As a rule accepted as the sole security for the credit particularly if they are not the short of commodity that can be traded on an organized market, such an arrangement would involve the bank in excessive risk outside its specialist field. The applicant must therefore have adequate funds in the bank account or a credit line sufficient to cover the required amount.

Banks deal in documents and not in goods. Once the bank has issued the credits its obligation to pay is conditional on the presentation of the stipulated documents with in the prescribe time limit. The applicant cannot prevent a bank from honoring the documents on the grounds that the beneficiary has not delivered goods on redder reissues as contracted.

The importer submits the following documents before opening of the L/C:

a) Tax Identification Number (TIN)
b) Valid Trade License
c) Import Registration Certificate (IRC)

The Bank will supply the following documents before opening of the L/C:

a) LCA form.
b) Application and Agreement form.
c) IMP form
d) Necessary charge documents for documentation.

The above documents must be completed duly signed and filled in by the party according to the instruction of the banker.

Documentary Letter of Credit (Import/Export Documentation):

Documentary letter of credit is such kinds of commercial letter which a Bank issue on behalf of foreign seller (exporter) according to the direction of the (importers) purchasers. The documents shown under are known as export documents from the importer's side. These are:-

a) **Bill of exchange:** The bill of exchange is that particular instrument through which payment is effected in trade deals internal and international. The payment for the goods is received by the seller through the medium of a bill of exchange drawn on the buyer for the amount depending on the contract. There are five main parties involved in a bill of exchange. They are:-
   - Drawer
   - Drawee
   - Payee
   - Endorser
   - Endorsee

b) **Bill of lending:** A bill of lending is a document of title to goods entitling the holder to receive the goods as beneficiary or endorsee and it is with the help of this document on receipt from the exporter that the importer takes possession of the goods from the carrying vessel at the port of destination.

c) **Airway bill/Railway receipt:** When goods to be transported are small in bulk or requiring speedy delivery or those are perishable in nature on the deal is in between the neighboring countries then mode of transports other than shipping may be resorted to far the carriage of the goods Airways bill/Railway receipt take place of Bill of landing depending on the nature of the carrier.

d) **Commercial invoice:** It is the seller's bill for the merchandise. It contains a description of goods, the price per unit at a particular location, total value of the goods, packing specifications, terms of sale, letter of credit, bill of lading number etc. There is no standard form far a commercial invoice. Each exporter designs his own commercial invoice form. The invoice made out by the seller under his signature in the name of the buyer and must be submitted in a set of at least 3 copies. Its main purpose is to check whether the appropriate goods have been shipped and also that their unit price, total value, making on the package etc. are consistent with those given in other documents.

e) **Insurance policy:** In the international trade insurance policy is a must to cover the risk of loss on consignments while they are on seas, roads, and airways. The insurance is the responsibility of the buyers under FAS, FOB and C&F contracts and of the seller under CIF contract. Te policy must be of the type as specified in the relative contract/credit. The policy would be for the value of CIF price plus 10% to cover the expenses and that is required to be obtained in the same currency as that of the credit and dated not later than the date of shipment with clams being payable at the destination. It must be properly stamped. Like a bill lading it must be negotiable and be endorsed where it is payable to order.

f) **Certificate of origin:** This is certificate issued by a recognized authority in exporting country certifying the country of origin of the goods. It is usually by the Chambers of commerce.

g) **Packing list:** The exporter must prepare an accurate packing list showing item by item, the contents of the consignment to enable the receiver of the shipment to check the contents of the goods, number and marks of the package, quality, per package net weight, gross weight, measurement etc.

h) **Wightman and Measurement:** Issued by recognized authority in exporting country certifying correct weightiest and measurement of the goods exported.

i) **Bill of entry:** A bill of entry is a document which contains the particulars of the imported goods as well as the amount of customs duty payable.

L/C opening of IFIC:

Today IFIC is one of the leading and most successful Banking enterprises in the country. It plays a great role in the economy of the country. By export-import business the Bank play a great role to the economy of Bangladesh. IFIC is one of the greatest banks in export-import business.

Foreign trade plays a vital role in the economic advancement process of a nation. So the trend of country's foreign trade, i.e. import & export is of a great concern to the government of a country. Fluctuation in the parameters of foreign trade immediately brings about some impact on the total economy. As such the nature, trend and the volume of foreign trade are required to keep peace with the national economic needs and objective. There may be some areas where emphasis is to be given while there may be others which deserve restrictions or discouragement. Moreover the items of import & export value and volume of the same, the corresponding time period, sources of fund far

payment and receipt, all these factors are to be considered very carefully for making necessary adjustment to match with the national economic policies as well as achieve balanced economic growth through the Interpol icy and Interpol icy coordination.

International trade policy relates to commercial policy which has two main components of Import policy relates to commercial policy which has two main components of Import policy and Export policy. With a view to achieving favorable balance of payment position as well as to encouraging or well regulated need based foreign trade of the country, the government formulates the national commercial policy i.e. import and export policy for a certain period considering all the favorable & unfavorable aspects of the nation's previous trade performance as well as the future requirement and prospects.

As the policy matter and the operational of import & export trade are quite different, two separate policies for import & export trade are formulated by the government. Import policy refers to government policies account for a particular fiscal period envisaging the allocation of fund available from various sources for import of certain quantity of certain goods. The main purpose of the policy is to conserve scare foreign exchange & to ensure its utilization for the import of goods and services which have national priority. The selected persons on institutions those who have got valid Import Registration Certificate (IRC) from the Chief Controller of Import and Export (CCI & E) can import and they are known as importers.

These importers can import goods as entitled in each year as per import policy by opening letter of credit (L/C) through bank i.e. Authorized Dealer (A.D). Authorized dealer means the branches of commercial banks, those who are authorized/licensed by the Bangladesh Bank to deal in foreign Exchange. Letter of credit may be defined as the letter as the letter of undertaking or letter of guarantee issued by the L/C opening on behalf of the importers submits all the documents as mentioned in the L/C submits all the documents as mentioned in the L/C within the time schedule to his bank i.e. exporters bank.

Before opening L/C in favors of the exporter the entitlement of the importer to be registered with Bangladesh Bank. For this purpose the importer is to apply through L/C. Authorized from (LC A form). This is a set in quintuplicate and the authorized dealer issue LCA form to the individual importer at their request. After filled up and signed up the appropriate column of the LCA from, the importer will submit it to Authorized

Dealer who interns forward the same to Bangladesh Bank for registration where fund is purchased from Bangladesh Bank. After registration Bangladesh Bank forward the 1st and 2nd copy of LCA form to the Authorized Dealer, 3rd and 4th copy to CCI & E and keep the 5th copy as their office copy. 1st copy of LCA is known as Exchange Control copy against which Authorized dealer can open L/C at the request of the importer. 2nd copy is known as custom purpose copy which will be handed over to the importer who will clear the goods from the port on its arrival through this custom purpose copy of LCA along with other shipping documents.

Open an L/C by the Importer:

Now the importer will come to his Bank with a request to open an L/C along with the following documents/papers:-

a) L/C application and agreement form (Bank's prescribed application form) with adhesive stamp of Tk. 150 (Flexible) [From June 3rd 1998]
b) Indent/Performa Invoice /Contract – 3 copies.
c) Insurance cover note with premium paid receipt.
d) IMP from one set duly signed by the importer.
e) Any other documents if necessary.

Authorized Dealer will scrutinize the documents and open the L/C in favor of the exporter by converting the Bangladesh Taka into foreign currency at the existing B.C selling rate of exchange. Care must be taken so that the limit of Bangladesh Taka is not exceeded in any way. The foreign currency value of the L/C must correspond the equivalent amount of Bangladesh Taka if LCA registered with Bangladesh Bank.

The Authorized official of the Authorized Dealer will check the L/C very carefully and signed the same jointly and forward the 1st and 2nd copy to their foreign correspond situated at the nearest place of the exporter. Thus Bank is known as Advising Bank. On receipt of the L/C the Advising Bank after verification of the duplicate copy at their end.

On getting the L/C the exporter prepares the goods and ship the same as per instruction of the L/C and obtain a Bill or Landing from the shipping Authority. The exporter will prepare bill of exchange, Invoice and other documents as specified in the L/C and submits the same along with the original copy L/C to his bank within the time mentioned

in the L/C. The Bank with whom the exporter submits the documents is known as negotiating Bank as this negotiates the documents i.e. make payment to the exporters.

The negotiating bank will scrutinize the documents with the terms and condition s of the L/C very carefully. If everything is in order the bank will make payment of the amount of L/C to the exporter in their local currency by debiting to their own account. Subsequently the negotiating bank will claim the L/C with whom the Head Office of L/C opening bank maintained foreign currency amount.

This is known as Reimbursing Bank. Reimbursing Bank will make payment to the negotiating bank by debit to L/C opening Bank's Head Office A/C. Simultaneously the negotiating bank will forward all the documents submitted by the exporter to the L/C opening bank as per instruction of the L/C. The date of forwarding letter of negotiating bank should be date of negotiation of documents.

On receipt of the shipping documents from the negotiating bank, the L/C opening bank will carefully scrutinize the documents with terms and conditions of the relative L/C. If there is no discrepancy, the documents will be lodged. Lodgment of documents means the entry of the particulars of the documents in the Register and preparation of vouchers by converting the foreign currency amount into Bangladesh Taka as the exchange rate prevailing on that date. This amount is due to the importer. The importer will be asked to take delivery documents by making payment of the bill amount excluding the margin deposited at the time of opening L/C. Payment of bill amount and to take delivery of documents by the importers is known as Retirement of Import Bills.

After taking delivery of documents from the L/C opening bank, the importer will clear the goods which has already been arrived or due to arrive from the customs authority on submission of these documents along with the custom purpose copy of LCA Form.

Definition of Lim:

Import Finance plays vital role in a country's foreign trade business. Import of goods and service are needed not only for export production but also to supply domestic industry with the necessary inputs which are not locally available or available at uneconomic cost and are needed for expansion and development.

Loan against Imported Merchandise (LIM) is a facility provided by the Bank to the importers who are in shortage of fund to retire the importer bills and thus to clear the

goods from the post authority. In other words it may be referred as an advance against merchandise.

Case of LIM Account

LIM Accounts may be created in the following case:-

LIM Account in Importer's request:

After lodgment of documents, the importers concerned to be intimated for early retirement of the documents by paying outstanding bill amount including other charge. If the importer is not in a position to retire the bill out of his own sources at that moment may request the bank to clear the goods by creating LIM Account. On receipt of the importer request the official of the import bills section will prepare an office note by calculating the total landed cost of the consignment. To ascertain the landed cost the following points to be considered.

Efforts should be taken so that at least 20% to 30% margin of the landed cost may realize from the importer. Realization of margin will depend on the banker customer relationship and also on the marketability of the goods.

4.10 Foreign Remittance

"Foreign remittance" means purchase and sale of freely convertible foreign currencies as admissible "Foreign Exchange Regulations Act-1947" and "Guidelines For Foreign Exchange Transaction-VOL. 1 and 2" of the country. Purchase of foreign currencies constitutes inward foreign remittance and sale of foreign currencies constitutes outward foreign remittance.

So we see that there are two types of Foreign Remittance:

a) **Outward Foreign Remittance:**

   Remittances issued by IFIC, Main Branch to Foreign correspondents to fulfill its customers' needs are considered to be the Outward Foreign Remittances. The term "Outward Remittance" include not only remittance i.e. sale of foreign currency by TT, MT, Drafts, Travelers cherub but also payment against imports into Bangladesh & Local currency credited to Non-Resident Taka Accounts of Foreign banks or convertible Taka account. It comprises the followings:

- FDD Issued
- FTT Issued
- TC Issued
- Endorsement of foreign currencies in the passport
- Sale of foreign currencies

b) Inward Foreign Remittance:

Normally, Inward Foreign Remittance companies of all incoming foreign currencies. Remittances issued by the correspondent banks situated in the foreign countries and thereby drawn on IFIC, Main Branch are considered to be its Inward Foreign Remittances.

Followings are the Inward Foreign Remittances of IFIC, Main Branch.

- FDD Payable
- FTT payable
- TC Payable
- Encashment of foreign currencies endorsed in the passport.
- Purchase of foreign currencies.

Telegraphic Transfer (TT):

Telegraphic Transfer refers to the payment instruction by tested telex/cable or authenticated fax by bank in abroad on an inland bank (local/foreign bank). Normally foreign banks, with which corresponding banking relationship/drawing prevails, send T.T.

Foreign Demand Draft (FDD):

The foreign bank/exchange company on local bank usually issues Foreign Demand Draft. It is an order to pay a certain sum to a certain person or as his instruction, issued by the bank on its overseas branch or on its correspondent bank. The demand draft is handed over to the purchaser who sends it to the beneficiary. The beneficiary obtains payment on presentation to the bank on which the draft is drawn.

Encashment of FDD may take place in two ways-

- Purchase,
- Sending for collection.

Endorsements of US $ in Passport:

IFIC Bank Ltd. endorses US Dollars (USD), Great Britain Pound (GBP) in passports. To endorse US Dollar, the client has to apply in the prescribed form (TM Form).

Student File Open:

As we know that Bangladesh – Taka is not fully convertible. Only current account not capital account of our currency is convertible. But in case of students who studied abroad can take any amount for their study cost. Thus IFIC Bank Ltd. opens student file to remit the costs to the respective institutes on behalf of the student subject to scrutinizing the appropriate documents issued from the registrar.

Foreign Exchange operations of MBL

4.1 Foreign Exchange

Every country has certain natural advantages and disadvantages in producing certain commodities while they have some natural disadvantages as well in other areas. As a result we find that some countries need to import certain commodities while others need to export their surpluses. Foreign trade brings the fruits of the earth to the homes of the humblest among the countries. These transactions are the basis upon which international trade is made. As more than one currency is involved in foreign trade, it gives rise to exchange of currencies which is known as Foreign Exchange.

As per Foreign Exchange Act, foreign exchange means and includes all deposits, credits and balances payable in foreign currency as well as foreign currency instruments such as drafts, TCs, Bill of Exchange, Promissory Notes and Letters of Credit payable in foreign currency. This definition implies that all business activities relating to Import, Export, Outward & Inward Remittances, buying & selling of foreign commissions, etc. come under the preview of foreign exchange business.

Foreign exchange can simply be defined as a process of conversion of one national currency into another and of transferring money from one country into another.

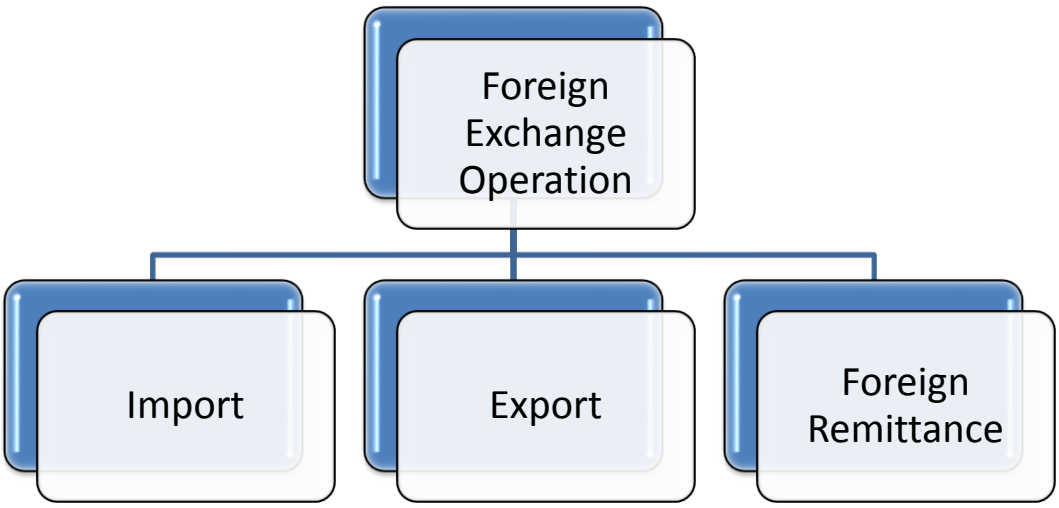


Figure-5: Foreign Exchange Operation of MBL

4.1.1 Foreign Exchange Division

One of the largest businesses carried out by the commercial bank is foreign trading. The trade among various countries falls for close link between the parties dealing in trade. The situation calls for expertise in the field of foreign operations. The bank, which provides such operation is referred to as rending international banking operation. Mainly transactions with overseas countries are respects of import; export and foreign remittance come under the preview of foreign exchange transactions. International trade demands a flow of goods from seller to buyer and of payment from buyer to seller. In this case the bank plays a vital role to bridge between the buyer and seller.

Foreign Exchange Department is an international department of the bank. It deals with globally and facilities international trade through its various modes of services. It bridges between importers and exporters. Bangladesh Bank issues license to scheduled banks to deal with foreign exchange. These banks are known as Authorized Dealers. If the branch is authorized dealer in foreign exchange market, it can remit foreign exchange from local country to foreign country. This department mainly deals with foreign currency. This is why this department is called foreign exchange department.

Some national and international laws regulate functions of this department. Among these, Foreign Exchange Act, 1947 is for dealing in foreign exchange business, and Import and Export Control Act, 1950 is for Documentary Credits. Governments' Import and Export policy is another important factor for import and export of banks.

4.1.2 Foreign Trade

Foreign trade can be easily defined as a business activity, which crosses national boundaries. These may be between parties or government ones. Trade among nations is a common occurrence and normally benefits both the exporter and importer. In many countries, international trade accounts for more than 25% of their national incomes.

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

for loses linkage between the parties dealing in trade it has been dealing with more than 40 countries. The banks, which provide such transactions, are referred to as rendering international banking operations. International trade of goods and payment are done through Letter of Credit. MBL follows the rules of Bangladesh government and Bangladesh bank strictly.

4.1.3 Functions of Foreign Exchange Department

Imports:

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

Export:

- Pre-shipment advances
- Purchase of foreign bills
- Negotiating of foreign bills
- Export guarantees
- Advising/confirming letters- letter of credit
- Advance for deferred payment exports
- Advance against bills for collection

Remittances:

- Issues of DD, MT, TT, etc.
- Payment of DD, MT, TT etc.
- Issues and enhancement of traveler's cheque
- Sale and enhancement foreign currency note
- Nonresident accounts

Dealings:

- Rate computation
- Maintenance of foreign currency account
- Forward contracts
- Exchange position and cover operations

Most Commonly Used Documents in Foreign Exchange

- Documentary letter of credit
- Bill of exchange
- Bill of Landing
- Commercial Invoice
- Certificate of origin of goods
- Inspection certificate
- Packing List
- Insurance certificate
- Pro-forma invoice/indent
- Master receipt
- GSP certificate

4.2 Import

Import 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 Import Registration Certificate (IRC) 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. MBL also plays an important role of importing goods.

To obtain Import Registration Certificate (IRC) the following certificates are required:

- Trade License
- Income tax clearance certificate
- National certificate
- Banks solvency certificate
- Asset certificate
- Registration partnership deed (if any)
- Memorandum and article of association
- Certificate of incorporation (if any)
- Rent of the business premises

4.2.1 Requirements for Import:

To import through Mercantile Bank limited a customer/client requires-

- Bank account
- Import Registration Certificate (IRC)
- Taxpaying Identification Number (TIN)
- Pro-forma invoice/indent (PI)
- Membership certificate
- L/C application from duly attested
- Insurance cover note with money receipt
- Others

4.2.2 Import Mechanism

To import, a person should be competent to be and importer'. According to Import and Export (Control) act, 1950, the officer of Chief Controller of Import and Export provides the import registration certificate (IRC) to the importer. After obtaining this, the person has to secure a letter of credit authorization (LCA) from Bangladesh Bank. And then a person becomes a qualified importer. He requests or instructs the opening bank to open an L/C.

4.2.3 Source of Finance:

Import may be allowed under the following sources of finance:

a) Cash-
    - Cash foreign exchange (balance of the foreign exchange reserve of Bangladesh Bank);
    - Foreign currency accounts maintained by Bangladeshi Nationals working/living abroad.
b) External economic aid.
c) Commodity exchange.

4.2.4 Import Procedures:

An importer is required to have the following to import through MBL:

- Applicant has to apply for opening L/C by a prescribed form.
- Applicant has to submit the Letter of Indent or Letter of Pro-forma Invoice.
- Applicant has to submit IRC (Indenters Registration Certificate). It is a certificate being renewed every year. This certificate is necessary if the contract is made between the buyers and the agents of the sellers. IRC is two types – COM and IND. COM is given for commence purpose and IND is given for industrial purpose.
- Applicant has to submit LCAF (Letter of Credit Authorization Form)
- Applicant has to submit insurance document
- Applicant has to prepare FORM-IMP.
- Recently, there has been made a provision to give a certificate named TIN (Tax Payers Identification Number). Taxation department issues this certificate.
- Then after proper scrutiny bank will open an L/C.

While opening L/C, importer must keep certain percentage of the document value in the bank as margin.

4.2.5 Procedures of Opening L/C to Import:

To open an L/C, the requirements of an importer are:

a) He must have an account in MBL.
b) He must have Importers Registration Certificate (IRC)
c) Report on past performance with other bank. MBL collects this report from Bangladesh Bank.
d) CIB (Credit Information Bureau) report from Bangladesh Bank.
e) A proposal approved by the meeting of executive committee of the bank. It is necessary only when the L/C amount is small or there is no limit.
f) If the L/C amount is large or there is a limit, then an approval from Bangladesh Bank is needed. Usually this approval is needed for amount more than one crore.

After opening the L/C, MBL (issuing bank) must receive the documents for any other proceedings. These documents are:

- Bill of landing
- Invoice
- Packing List
- Country of origin

Lodgment of the documents:

After receiving the documents from the exporters, at first MBL write it in the PAD Register. 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.

Retirement of the Documents:

The process 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 Landing and other transport documents and in the bill of exchange.

4.2.6 Loan against Trust Receipts (LTR):

MBL also perform the later mechanize it is a instrument of foreign exchange which is done through:

- 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.

- 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.
- 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.

4.2.7 Loan against Imported Merchandise (LIM):

MBL create advance (Loan) against the security of merchandise imported through the Bank may be allowed either on pledge or hypothecation of goods, retaining margin prescribed on their landed cost, depending on their categories and Credit Restriction imposed by the Bangladesh Bank. Bank shall also obtain a letter of undertaking and indemnity from the parties, before getting the goods cleared through LIM Account.

4.3 Export

In order to creation of wealth in any country depends on the expansion of production and increasing participation in international trade. By increasing production in the export sector we can improve the employment level of such a highly populated country like Bangladesh. Bangladesh exports a large quantity of goods and services to foreign households. Readymade textile garments (both knitted and woven), Jute, Jute-made products, frozen shrimps, tea are the main goods that Bangladeshi exporters export to foreign countries. Garments sector is the largest sector that exports the lion share of the country's export. Bangladesh exports most of its readymade garments products to U.S.A and European Community (EC) countries. Bangladesh exports about 40% of its readymade garments products to U.S.A Most of the exporters who export through MBL are readymade garments exporters. They open export L/Cs here to export their goods, which they open against the importer L/Cs opened by their foreign importers.

4.3.1 Export Policy

Export policies formulated by the Ministry of Commerce, GOB provide the overall guideline and incentives for promotion of exports in Bangladesh. Export policies also set out commodity-wise annual target. It has been decided to formulate these policies to cover a five-year period to make them contemporaneous with the five-year plans and to provide the policy regime.

The export-oriented private sector, through their representative bodies and chambers are consulted in the formulation of export policies and are also represented in the various export promotion bodies set up by the government.

4.3.2 Export Incentives

A. Financial Incentives:

- Restructuring of Export Credit Guarantee Scheme;
- Convertibility of Taka in current account;
- Exporters can deposit 40% of FOB value of their export earnings in own accounts in dollar and pound sterling;
- Export Development Fund;
- Expansion of export credit period from 180 days to 270 days;
- 50% tax rebate on export earnings Duty draw back;
- Bonded warehouse facilities to 100% export oriented firms;
- Duty free import of capital equipment for 100% export oriented firms;

B. General Incentives:

- National Export Trophy to successful exporters
- Training course on external trade
- Arrangement of international trade fairs, commodity-based exhibitions in the country and participation in foreign trade fairs.

C. Other Incentives:

- Assistance in improvement of quality and packaging of exportable items
- Simplification of exports procedures

4.3.3 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.

4.3.4 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):**
   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 from along with the necessary papers, concerned offices of the Chief Controller of Imports and Exporters issues ERC. Once registered, exporters are to make renewal of ERC every year.
2. **Securing the order:**
   After getting ERC, the exporter may proceed to secure the export order. He can do this by contracting the buyers directly through correspondence.
3. **Obtaining EXP:**
   After having the registration, the exporter applies to MBL 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.
4. **Signing of the contract:**
   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.
5. **Receiving the Letter of Credit:**
   After getting contract for sale, exporter should ask the buyer for letter of Credit clearly stating terms and conditions of export and payment.
   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.

6. **Procuring the Materials:**

   After making the deal and on having the L/C opened in his favor, the next stop for the exporter is to set about the task of procuring or manufacturing the contracted merchandise.

7. **Endorsement on EXP:**

   Before the exporters with the customs/postal authorities lodge the exporter forms, they should get all the copies endorsed by MBL. Before shipment, exporter submits exp. form with commercial invoice. Then MBL 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.

8. **Disposal of Export Forms:**

   a) Original: Customs authority reports first copy of EXP to Bangladesh Bank after shipment of the goods.

   b) Duplicate: Negotiating bank reports the Duplicate to Bangladesh Bank in or after negotiation date but not later than 14 days from the date of shipment.

   c) Triplicate: On realization of export proceeds the same bank to the same authority reports Triplicate.

   d) Quadruplicate: Finally, the negotiating bank as their office copy retains Quadruplicate.

9. **Shipment of goods:**

   Exporter makes shipment according to the terms and condition of L/C.

10. **Presentation of export documents for negotiation:**

    After shipment, exporter submits the following documents to MBL for negotiation.

    a) Bill of Exchange or Draft;
    b) Bill of Landing
    c) Invoice
    d) Insurance Policy/Certificate
    e) Certificate of origin
    f) Inspection Certificate
    g) Consular Invoice
    h) Packing List
    i) Quality Control Certificate

j) G.S.P. certificate

k) Photo- Sanitary Certificate.

11. Cash against Document (CAD) Contract:

In lieu of export L/C export can also be made against execution of contract of sale and purchase between the buyer and seller. Usually a CAD contract is made in case of exporting Jute goods.

There are some Bangladesh Jute Mills Corporation (BJMC) enlisted intermediary firms. They make CAD contract with the importer. Some intermediary firms the client of MBL. After making contract, the intermediary firm (original exporter) purchases jute from a jute mill. Then, the jute mill's bank usually an NCB sends forwarding with the following documents to MBL.

a) Commercial invoice made by the jute mill

b) Bill of exchange drawn on exporter payable to jute mills bank (authorized that bank as "pay to the order of MBL")

c) Mills specification

d) EXP form – triplicate and quadruplicate on which seal and signature of authorized officer of the jute mill's bank is given.

Along with these jute mill documents exporter presents documents, which were required by the CAD contract.

Exporter presents the documents for negotiation to MBL and request to remit the amount at which he purchased jute from jute mill to the jute mills bank and credit the rest to his account in MBL.

12. Examination of Document:

Banks deal with documents only, not with commodity. As the negotiating bank is giving the value before repatriation of the export proceeds it is advisable to scrutinize and examine each and every document with great care whether any discrepancy(s) is observed in the documents. The bankers are to ascertain that the documents are strictly as per the terms of L/C Before negotiation of the export bill. Bank officers assigned for examining the export documents may use a checklist for their convenience.

13. Negotiation of export documents:

Negotiation stands for payment of value to the exporter against the documents stipulated in the L/C. If documents are in order, MBL purchases (negotiates) the

same on the basis of banker-customer relationship. This is known as Foreign Documentary Bill Purchase (FDBP).

If the bank is not satisfied with the documents submitted to MBL gives the exporter reasonable time to remove the discrepancies or sends the documents to L/C opening bank for collection. This is known as Foreign Documentary Bill for Collection (FDBC).

14. Settlement of Local Bills:

The settlement of local bills is done in the following ways:-

a) The customer submits the L/C to MBL along with the documents to negotiate
b) MBL official scrutinizes the documents to ensure the conformity with the terms and conditions.
c) The documents are then forwarded to the L/C opening bank.
d) The L/C issuing bank gives the acceptance and forwards an acceptance letter.
e) Payment is given to the customer on either by collection basis or by purchasing the document.

4.3.5 Mode of Payment of export bill under L/C

As per UCP 600, 1993 revision there are four types of credit. These are as follows:

a) Sight Payment Credit:

In a Sight Payment Credit, the bank pays the stipulated sum immediately against the exporter's presentation of the documents.

b) Deferred payment Credit:

In deferred payment, the bank agrees to pay on a specified future date or event, after presentation of the export documents. No bill of exchange is involved. In MBL, payment is given to the party at the rate of D.A **60-90-120-180** as the case may be. But the Head office is paid at T.T clean rate. The difference between the two rates us the exchange trading for the branch.

c) Acceptance credit:

In acceptance credit, the exporter presents a bill of exchange payable to him and drawn at the agreed tenor (that is, on a specified future date or event) on the bank that is to accept it. The bank signs its acceptance on the bill and returns it to the exporter. The exporter can then represent it for payment on maturity. Alternatively he can discount it in order to obtain immediate payment.

d) Negotiation Credit:

In Negotiation credit, the exporter has to present a bill of exchange payable to him in addition to other documents that the bank negotiates.

4.3.6 Advising L/C:

When export L/C is transmitted to the bank for advising, the bank sends an Advising Letter to the beneficiary depicting that L/C has been issued.

Test key arrangement:

Test key arrangement is a secret code maintained by the banks for the authentication for their telex messages. It is a systematic procedure by which a test number is given and the person to whom this number is given can easily authenticate the same test number by maintaining that same procedure. MBL has test key arrangements with so many banks for the authentication of L/C messages and for making payment. Usage period will be up to 180 days.

Securitization of master L/C:

a) Defective points or clauses appear in the Master L/C.
b) Issuing bank is not reputed.
c) Advising credit by the advising bank without authentication.
d) Port of destination absent.
e) Inspection clause.
f) Nomination of specific shipping/Airline or nomination of specified vessel by subsequent amendment.
g) B/L to blank endorses, to endorse to 3rd bank, to be endorsed to buyer or 3rd party.
h) No specific reimbursing clause.
i) UCP clause not mentioned.
j) Shipment/presentation period is not sufficient.
k) Original documents to be sent to buyer or nominated agent.
l) FCR or HAWB consigned to applicant or buyer.
m) "Shippers" load and count is not acceptable.
n) L/C shall expire in the country of the issuing bank.
o) Negotiation is restricted.

4.3.7 Export Financing

Financing exports constitutes an important part of a bank's activities. Exporters require financial services at four different stages of their export operation. During each of these phases, exporters need different types of financial assistance depending on the nature of the export contract. MBL plays a vital role in performing such jobs and help the businessmen's to carry on their business operation the activities are –

- Pre-shipment credit
- Post-shipment credit

1) Pre-shipment credit:

Pre-shipment credit, as the name suggests, is given to finance the activities of an exporter prior to the actual shipment of the goods for export. The purpose of such credit is to meet working capital needs starting from the point of purchasing of raw materials to final shipment of goods for export to foreign country. Before allowing such credit to the exporters the bank takes into consideration about the credit worthiness, export performance of the exporters, together with all other necessary information required for sanctioning the credit in accordance with the existing rules and regulations. Pre-shipment credit is given for the following purposes:

- Cash for local procurement and meeting related expenses.
- Procuring and processing of goods for export.
- Packing and transporting of goods for export.
- Payment of insurance premium.
- Inspection fees.
- Freight charges etc.

An exporter can obtain credit facilities against lien on the irrevocable, confirmed and unrestricted export letter of credit in form of the followings:

1) Export Cash Credit (Hypothecation):

Under this arrangement, a credit is sanctioned against hypothecation of the raw materials or finished goods intended for export. Such facility is allowed to the first class exporters. As the bank has got no security in this case, except charge documents and lien on exports L/C or contract, bank normally insists on the exporter in furnishing collateral security. The letter of hypothecation creates a

charge against merchandise in favor of the bank. But neither are the ownership nor the possession is passed to it.

2) **Export Cash Credit (Pledge):**

Such Credit facility is allowed against pledge of exportable goods or raw materials. In this case cash credit facilities are extended against pledge of goods to be stored in the go down under bank's control by signing letter of pledge and other pledge documents. The exporter surrenders the physical possession of the goods under banks effective control as security for payment of bank dues. In the event of failure of the exporter to honor his commitment, the bank can sell the pledged merchandise for recovery the advance.

3) **Export Cash Credit Against Trust Receipt:**

In this case, credit limit is sanctioned against trust receipt (TR). Here also unlike pledge, the exportable goods remain in the custody of the exporter. He is required to execute a stamped export trust receipt in favor of the bank, he holds wherein a declaration is made that goods purchased with financial assistance of bank in trust for the bank. This type of credit is granted when the exporter wants to utilize the credit for processing, packing and rendering the goods in exportable condition and when it seems that exportable goods cannot be taken into bank's custody. This facility is allowed only to the first class party and collateral security is generally obtained in this case.

4) **Packing Credit:**

Packing credit is essentially a short-term advance granted by a bank to an exporter for assisting him to buy, process, manufacture, pack and ships the goods. Generally for movement of goods from the hinterland areas to the ports of shipment the Banks provide interim facilities by way of Packing Credit. This type of credit is sanctioned for the transitional period starting from dispatch of goods till the negotiation of the export documents. Practically except for single transaction, most of the pre-shipment credits are allowed in the form of limits duly sanctioned by bank in favor of regular exporters for a particular period. The drawings are required to be adjusted fully once within a period of 3 to 6 months. Suiting to the breed and nature of export, sometimes an exporter may also be allowed to avail a combined Cash Credit and Packing Credit limit with fixed ceiling on revolving basis. But in no case the borrower would be allowed to exceed individual credit limit fixed for the purpose. The drawings under Export

Cash Credit limits are generally adjusted by the drawing in packing credit limit, which is, in turn liquidated by the negotiation of export documents.

Banker should obtain the following charge documents duly stamped prior to disbursement:

- Demand Promissory Note
- Letter of Arrangement
- Letter of Lien of Packing Credit (On special adhesive stamp)
- Letter of Disbursement
- Packing Credit Letter

5) Additional Documents for P.C.:

- Letter of Partnership along with Registered Partnership Deed in case of Partnership Accounts.
- Resolution of the Board of Directors along with Memorandum & Articles of association in case of Accounts of Limited Companies. In case of Corporation, Resolution of the Board Meeting along with Charter.
- Personal Guarantee of all the Partners in case of Partnership Accounts and of all the Directors in case of Limited Companies.
- An undertaking from the Directors of the Public Limited Company to obtain prior clearance from the Bank before declaring any interim/final dividend.

6) Back-to-Back Letter of Credit (BTB):

Bangladesh is a developing country. After receiving order from the importer, very frequently exporters face problems of scarcity of raw material because some raw materials are not available in the country. These have to be collected from abroad. In that case, exporter gives lien to export L/C to bank as security and opens an L/C against it for importing raw materials. This L/C is called Back to Back L/C. In back to back L/C, MBL keeps no margin.

Sometimes there is provision in the export L/C that the importer can use the certain portion of the export L/C amount for importing accessories that are necessary for the making of the product. Only in that case, BTB is opened.

7) Advance against Red-clause L/C:

Under Red clause letter of credit, the opening bank authorizes the Advising Bank/Negotiating Bank to make advance to the beneficiary prior to shipment to enable him to procure and store the exportable goods in anticipation of his

effecting the shipment and submitting a bill under the L/C. As the clause containing such authority is printed in red ink, the L/C is called Red clause and Green clause respectively. Through it is not prohibited, but it is very rare in Bangladesh.

2) Post Shipment Credit:

This type of credit refers to the credit facilities extended to the exporters by the banks after shipment of the goods against export documents. Necessity for such credit arises, as the exporter cannot afford to wait for a long time for without paying manufacturers/suppliers. Before extending such credit, it is necessary on the part of banks to look into carefully the financial soundness of exporters and buyers as well as other relevant documents connected with the export in accordance with the rules and regulations in force. Banks in our country extend post shipment credit to the exporters through:

1) Negotiation of documents under L/C:

The exporter presents the relative documents to the negotiating bank after the shipment of the goods. A slight deviation of the documents from those specified in the L/C may raise an excuse to the issuing bank to refuse the reimbursement of the payment already made by the negotiating bank. So the negotiating bank must be careful, prompt, systematic and indifferent while scrutinizing the documents relating to the export.

2) Foreign Documentary Bill Purchase (FDBP):

Sometimes the client submits the bill of export to bank for collection and payment of the BTB L/C. In that case, bank purchases the bill and collects the money from the exporter. MBL subtracts the amount of bill from BTB and gives the rest amount to the client in cash or by crediting his account or by the pay order.

For this purpose, MBL maintains separate register named FDBP Register. This register contains the following information:

- Date
- Reference number (FDBP)
- Name of the drawee
- Name of the collecting bank
- Conversion rate
- Bill amount both in figure & in Taka

- Export form number
- Export L/C number

3) **Advances against Export Bills surrendered for collection:**

Banks generally accept bills for collection of proceeds when they are not drawn under an L/C or when documents, even though drawn against an L/C contain some discrepancies. The bank generally negotiates bills drawn under L/C, without any discrepancy in the documents, and the exporter gets the money from the bank immediately. However, if the bill is not eligible for negotiation, the exporter may obtain advance from the bank against the security of export bill. In addition to the export bill, banks may ask for collateral security like a guarantee by a third party and equitable/registered mortgage of property.

4.3.8 Export Documents Checking

1. General Verification:

a) L/C restricted or not.
b) Exporter submitted documents before expiry date of the credit Shortage of documents.

2. Particular verification:

Each and every document should be verified with the L/C.

3. Cross Verification:

a) Verified one documents to another.
b) After proper examination or checking of a described Export document banker may find following discrepancies:

General:

- Late shipment
- Late presentation
- L/C expired
- L/C over-drawn
- Partial shipment or transshipment beyond L/C terms.

Bill of Exchange (B/E):

- Amount of B/E differ with Invoice.
- Not drawn on L/C issuing bank.
- Not signed
- Tenor of B/E not identical with L/C.
- Full set not submitted.

Commercial Invoice (C/I):

- Not issued by the Beneficiary.
- Not signed by the Beneficiary.
- Not made out in the name of the Applicant.
- Description, Price, quantity, sales terms of the goods not corresponds to the credit.
- Not marked one fold as Original
- Shipping Mark differs with B/L & Packing List.

Packing List:

- Gross Wt., Net Wt. & Measurement, Number of cartoons/Packages differs with B/L.
- Not market one fold as Original.
- Not signed by the Beneficiary.
- Shipping marks differ with B/L.

Bill of Landing/Airway Bill ETC (Transport Documents):

- Full set of B/L not submitted.
- B/L is not drawn or endorsed to the Order of MBL Bank Ltd.
- "Shipped on Board", "Freight Prepaid" or "Freight Collect" etc. notations are not marked on the B/L.
- B/L not indicates the name and the capacity of the party.
- Shipped on Board Notation not showing name of Pre-carriage vessel/intended vessel.
- Shipped on Board Notation not showing port of loading and vessel name.
- Short Form B/L

- Charter party B/L
- Description of goods in B/L not agree with that of Invoice, B/E & P/L
- Alterations in B/L not authenticated
- Loaded on Deck
- B/L bearing clauses or nations expressly declaring defective condition of the goods and/or the packages.

Others:

- N.N. Documents not forwarded to buyers or forwarded beyond L/C terms.
- Inadequate number of Invoice, Packing list, and B/L & others submitted.
- Short shipment Certificate not submitted

While checking the export documents following things must be taken in consideration:

L/C Terms:

Each and every clause in the L/C must be complied with meticulously and ensure the following:

- That the documents are not state;
- That the documents are negotiated within the L/C validity, It a credit expire on a recognized bank holiday its life is automatically become valid up to the next works day.
- That the documents value does not exceeds the L/C value.

Draft/Bill of Exchange:

Draft is too examined as under:

- Draft must be dated
- It must be made out in the name of the beneficiary's bank or to be endorsed to the bank.
- The negotiating bank must verify the signature of the drawer.
- Amount must be tallied with the Invoice amount.
- It must be marked as drawn under L/C No.. Dated.. Issued by bank.

Invoice:

It is to be scrutinized to ensure the following:

- The Invoice is addressed to the Importer
- The full description of merchandise must be given in the invoice strictly as per L/C.
- The price, quality, quantity, etc. must be as per L/C.
- The Invoice must be language in the language of L/C.
- No other charges are permissible in the Invoice beyond the stipulation on the L/C.
- The amount of draft and Invoice must be same and within the L/C value.
- If L/C calls for consular invoice, then the beneficiary's invoice is not sufficient.
- Number of Invoice will be submitted as per L/C.
- The shipping mark and number of packing list shown in the B/L must be identical with those given in the Invoice and other documents.
- The Invoice value must not be less than the value declared in EXP forms.
- Invoice amount must be correct on the basis of price, quantity as per L/C.
- Invoice amount; indicate sale terms/ in co terms VIZ FOB, CFR, CIF etc.
- Consular Invoice must be stamped by the local consulate/embassy of the country to which the goods are imported.

Other Documents:

Beneficiary statement, VISA/Export License issued by EPB, Certificate of Origin, Weight Certificate, Packing List, Inspection Certificate.

Certificate of analysis, quality certificate, MCD duly signed and any other documents required by L/C each of these certificates/documents conform to the goods invoice and are relevant to L/C.

Negotiating Bank will check the above documents whether it is as per L/C or not. If Negotiating Bank finds everything in order as per export L/C; bank will negotiate the document and will disburse the generated fund as per Banks norms.

If the Negotiating Bank finds any discrepancies in the documents, they will send the documents on collection or they can negotiate under reserve by the request of the exporter or they can seek permission/Negotiation authority from issuing Bank to allow

Negotiating Bank to negotiate the documents despite the discrepancies. L/C issuing Bank will inform the matter to buyer, if the buyer accepts the discrepancies mentioned by Negotiating Bank, issuing bank will authorize the Negotiating bank to negotiate the discrepant documents.

4.4 Foreign Remittance Section

4.4.1 Foreign Currency (FC) Accounts:

Convertibility of Taka in current account transactions symbolized a turning point in the country's exchange management and exchange rate system. Now the operation of foreign currency account has been more liberalized. Funds from this A/Cs are freely remittable to any country according to the needs of A/C holders. MBL provides the service of foreign remittance through foreign currency accounts to the clients.

Types of Account:

a) FC Account
b) Resident Foreign Currency Deposit Account
c) Non-resident Foreign Currency Deposit Account

4.4.2 Currency in which FC A/Cs can be opened:

FC Accounts can be opened either in

a) Pound sterling
b) Us dollar
c) Euro
d) Japanese Yen

4.4.3 Papers/Documents required for opening FC A/C:

a) For Bangladesh Wage Earners:

- Photocopy of 1st seven pages of valid passport and visa page.
- Photocopy of employment contract/appointment letter/work permit.
- Two copies of passport size photograph of each account holder and nominee duly attested.

b) For Foreign National Company/Firm:

- Two copies of photograph of account holder for individual operations of other account holder.
- Copies of relevant pages of passport for individual and operators of other account holder.
- Copies of service contract/ work permit, if any for individual.
- Copies of registration in Bangladesh with Board of investment/ Bangladesh Bank for foreign/ joint venture firm.
- Copies of the memorandum and articles of association/ Laws/ Bye Laws, etc. on joint venture agreement for joint venture co.

Mode of Operation:

- Foreign currency A/C opened in the name of Bangladeshi nationals working abroad or self employee abroad can now be maintained as long as the current holder desires.
- Such accounts may also be opened by the eligible persons within six months of their return to Bangladesh.

Deposits:

- Credit to a foreign currency Account may be made against inward remittance of foreign exchange in any form of transfer from another FC account on non-resident taka accounts of bankers abroad.
- Portion of repatriated export proceeds of Merchandize service export are allowed to credit to the exporters retention quota account.
- Foreign exchange earned through business done or services rendered in Bangladesh can into be put into FC accounts.

Withdrawals:

- Payment may be made freely abroad from these FC accounts to the extent of balance lying there in Local disbursements may also be made freely in take from such foreign currency accounts.
- Funds lying in FC accounts can be utilizing for import of goods and commodities as per instructions issues by the CCI & E and Bangladesh Bank.

- No payment for foreign exchange may be made to or on behalf of any resident in Bangladesh out of the FC account except foreign diplomats or privileged person who has specific authority from Bangladesh Bank to accept such payment.

4.4.4 Foreign Remittance

There are two types of Foreign Remittance:

a) **Outward Remittance:**

The term "Outward remittances" include not only remittance i.e. sale of foreign currency by TT, MT, Drafts, Traveler's cheque but also includes payment against imports into Bangladesh & Local currency credited to Non-resident Taka Accounts of Foreign Banks or convertible Taka Account.

Two forms are used for Outward Remittance of foreign Currency such as:-

IMP Form: All outward remittance on account of imports is done by form IMP.

T.M. Form: For all other outward remittances T.M. form is used.

1. Private Remittance:

- Family remittance facility
- Remittance of Membership fees/registration fees etc.
- Education
- Remittance of Consular Fees
- Remittance of evaluation fee
- Travel
- Health & Medical
- Seminars & workshops
- Foreign Nationals
- Remittance for Hajji
- Other private Remittance

2. Official & Business Travel:

- Official Visit
- Business Travel Quota for New Exporters
- Business Travel Quota for Importers and Non-exporting producers
- Exporter's Retention Quota

3. Commercial Remittances:

- Opening of branches or subsidiary companies abroad
- Remittance by shipping companies airlines & courier service
- Remittance of Royalty and technical fees
- Remittance on account of training & consultancy
- Remittances of profits of foreign firms/branches
- Remittance of Dividend
- Subscriptions to foreign media services
- Costs for Reuter monitors
- Advertisement of Bangladeshi Products in mass media abroad
- Bank Charges

b) Inward Remittance

The term "Inward Remittance" includes not only purchase of Foreign Currency by TT, MT, Drafts etc. but also purchases of bills, purchases of Traveler's cheques.

Two forms as prescribed by Bangladesh Bank are used for purchase of Foreign Currencies such as:

EXP Form: Remittances received against export of goods from Bangladesh are done by form EXP

Form C: Inward remittances equivalent to US $2000/- and above are done by Form "C".

However, declaration in form C is not required in case of remittances by Bangladesh Nationals working abroad.

Utmost care should be taken while purchasing Currency Notes, Travelers cheque, Demand Draft & similar Instrument for protecting the bank form probable loss as well as safety of the Bank officials concerned.

Purchase of Currency Notes, Traveler's cheques, Drafts etc.:

Following General observations are required in addition to common judgment/intelligent/vigilance of the dealing officers:-

- Currency notes to be checked very carefully so as to avoid risk of purchasing counterfeit Notes.
- While purchasing Travelers cheque signature of the holder to be obtained on the TCs in front of the Bank officials and should be verified with the signature of the holder already given at the time of issuance of TCs.
- Drafts should not be purchased under any circumstances unless the holder is a regular/valued customer of the bank. Indemnity Bond to be obtained for revering the amount paid in advance to the holder in case of dishonor of the instrument.
- The private cheque should not be purchased under any circumstance without prior approval of Head Office.

4.4.5 Dealing in Foreign Currency Notes & Coins:

Only Authorized Dealers and Authorized Money Changer are permitted to deal in foreign currency notes & coins Authorized Dealers and Money changers may freely buy foreign currency from incoming passengers regardless of nationality and regardless of whether or not a declaration on form FMJ is produced at the time of encashment. If this form is produced, the amount enchased should be endorsed on it.

The Authorized Dealers may also purchase foreign currency notes, coins and other travel instruments freely from Authorized Money changers without production of form FMJ.

4.4.6 Some Instruments & Process of Foreign Exchange Transactions:

Letter of Credit (L/C):

Letter of credit (L/C) can be defined as a "Credit Contract" whereby the buyer's bank is committed (on behalf of the buyer) to place an agreed amount of money at the seller's disposal under some agreed conditions. Since the agreed conditions include, amongst

other things, the presentation of some specified documents, the letter of credit is called Documentary Letter of Credit. The Uniform Customs & Practices for Documentary Credit (UCPDC) published by International Chamber of Commerce (1993) Revision; Publication No. 500 defines Documentary Credit.

Any arrangement however named or described whereby a bank (the "issuing bank") acting at the request and on the instructions of a customer (the "Applicant") or on its own behalf,

- Is to make a payment to or the order of a third party (the beneficiary) or is to accept and pay bills of exchange (Drafts) drawn by the beneficiary, or
- Authorizes another bank to effect such payment or to accept and pay such bills of exchange (Drafts)
- Authorizes another bank to negotiate against stipulated documents provide that terms and conditions are complied with.

Types of Documentary Credit:

Documentary Credits may be either:

a) Revocable Credit:

A revocable credit is a credit that can be amended or cancelled by the issuing bank at any time without prior notice to the seller.

In case of seller (beneficiary), revocable credit involves risk, as the credit may be amended or cancelled while the goods are in transit and before the documents are presented, or although presented before payments has been made. The seller would then face the problem of obtaining payment on the other hand revocable credit gives the buyer maximum flexibility, as it can be amended or cancelled without prior notice to the seller up to the moment of payment buy the issuing bank at which the issuing bank has made the credit available. In the modern banking the use of revocable credit is not widespread.

b) Irrevocable Credit:

An irrevocable credit constitutes a definite undertaking of the issuing bank (since it cannot be amended or cancelled without the agreement of all parties thereto), provided that the stipulated documents are presented and the seller satisfies the terms & conditions. This sort of credit is always preferred to revocable letter of

credit. According to UCPDC-600, bankers now open only irrevocable letter of credit.

Sometimes Letter of Credits is marked as either 'with recourse to drawer' or 'without recourse to drawer'.

Parties to a Letter of Credit:

The parties are:

- The Issuing Bank,
- The Confirming Bank, if any, and
- The Beneficiary.

Other parties that facilitate the Documentary Credit are:

- The Applicant
- The Advising Bank
- The Nominated Paying/Accepting Bank and
- The Transferring Bank, if any

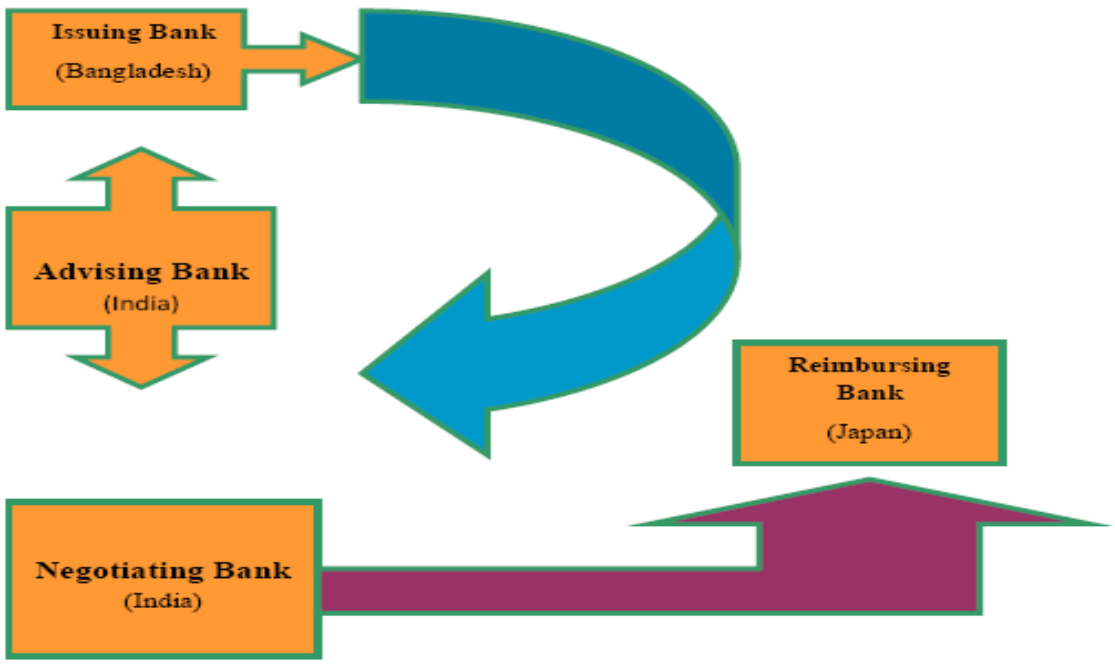


Figure-6: Parties to L/C

1. Confirming Bank:

It is the bank, which adds its confirmation to the credit and it is done at the request of issuing bank. Confirming bank may or may not be advising bank.

2. Advising/Notifying Bank:

It is the bank through which the L/C is advised to the exporters. This bank is actually situated in exporter's country. It may also assume the role of confirming and / or negotiating bank depending upon the condition of the credit.

3. Negotiating Bank:

It is the bank, which negotiates the bills and pays the amount of the beneficiary. The advising bank and the negotiating bank may or may not be the same. Sometimes it can also be confirming bank.

4. Paying/Accepting Bank:

It is the bank on which the bill be drawn (as per condition of the credit). Usually it is the issuing bank.

5. Reimbursing Bank

It is the bank, which would reimburse the negotiating bank after getting payment – instructions from issuing bank.

Form–IMP:

This form is prepared for maintaining account of the money, which goes outside the country for the purpose of payment. This form is required by Bangladesh Bank. It is an application for permission under 4/5 of the Foreign Exchange Regulation Act, 1947 to purchase foreign currency for the payment of import.

IMP – FORM has four copies:

- Original copy for Bangladesh Bank.
- Duplicate copy for authorized dealers. It is issued for processing Exchange Control Copy of bill of entry or certified invoice.
- Triplicate copy for authorized dealers' record.

- Quadruplicate copy for submission to the bank in case of imports where documents are retired.

Following documents are sent with FORM-IMP:

a) L/C Authorization Form,
b) One copy of invoice,
c) Indent copy / Pro-forma invoice.

The following information is included in the FORM-IMP:

a) Name and address of the authorized dealer,
b) Amount of foreign currency in words and figures,
c) Names and Address of the beneficiary,
d) L/C Authorization Form number and date,
e) Registration number of L/C Authorization Form with Bangladesh Bank, and
f) Description of the goods.

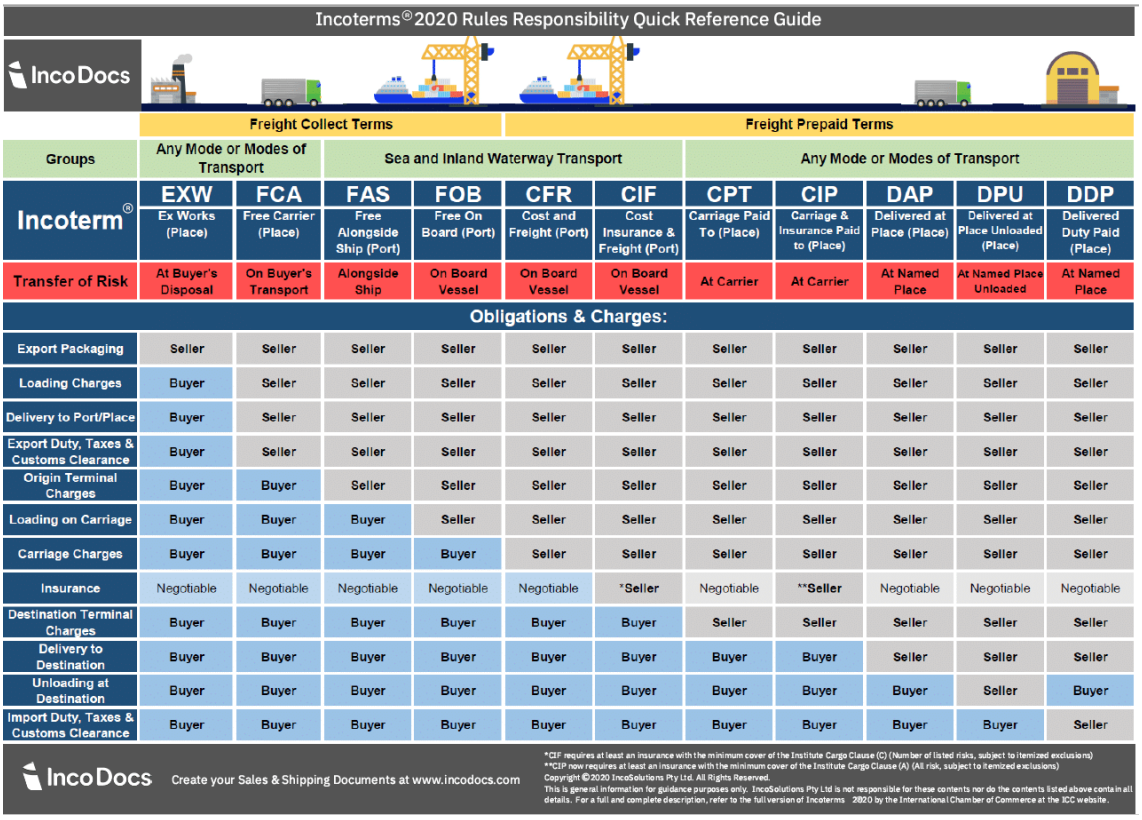


Figure-7: Incoterms

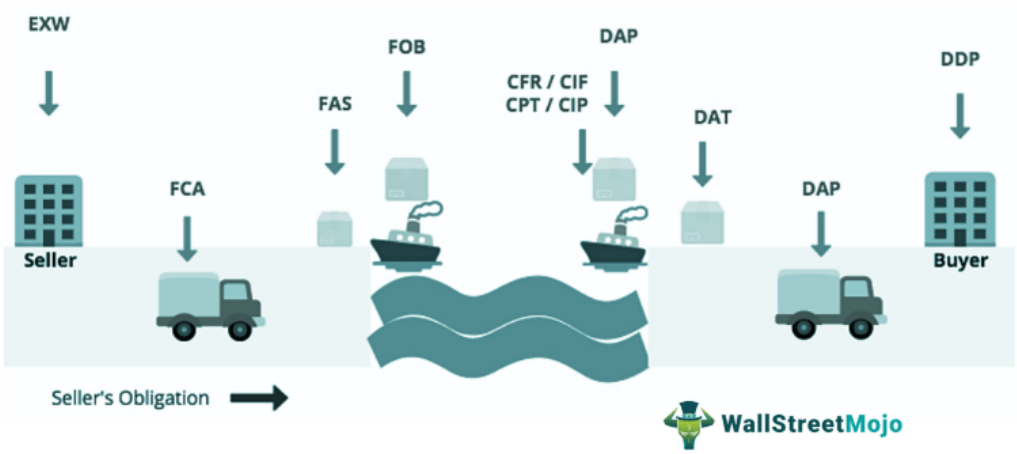


Figure-8: Incoterms

Chapter 5
Analysis of the Foreign Exchange Operation of Commercial Banks

Analysis of the Foreign Exchange Operations of Commercial Banks

5.1 Analysis

5.1.1 SWOT Analysis:

A. SWOT Analysis of IFIC Bank:

Every organization is composed of some internal strengths and weaknesses and also has some external opportunities and threats in its whole life cycle. The following will briefly introduce the customer to the IFIC Bank internal strengths and weaknesses, and external opportunities and threats, which is given below:

Strengths:

1. **Superior Quality:** IFIC Bank provides its customers excellent quality of service It gives the first priority to customer satisfaction.
2. **Dynamism:** IFIC Bank draws its strength from the adaptability and dynamism it possesses. It has quickly adapted to world class standard in terms of banking services. IFIC Bank has also adapted state of the art technology to connect with the world for better communication to integrate facilities.
3. **Financial strength:** IFIC Bank is a finally sound company backed by the huge resource. As result customers feel comfortable in dealing with the company.
4. **Efficient Management:** All the levels of the management of IFIC Bank are solely directed to maintain a culture of the betterment of the quality of the service and development of a corporate brand image in the market through organization wide term approach and open communication system.
5. **State of the Art Technology:** IFIC Bank utilizes state-of-the-art technology to ensure consistent quality and operation. The corporate office is equipped with SWIFT (SWIFT is a banking software, used by IFIC Bank). All other branches are also equipped with SWIFT system.
6. **Experts:** The key contributing factor behind the success of the IFIC Bank is its employee, who is highly trained and most competent in the own field. Bank Asia provides their employees training both in house and outside job.

7. **In-House Utility:** IFIC Bank is free from dependence on ever disruptive power supply of our public sources. The company generates the required power through generator fed on diesel. Water generation is done by deep tube wells on site and in abundance.
8. **Excellent Working Environment:** IFIC Bank provides its workforce an excellent place to work in. Total complex has been centrally air conditioned. The interior decoration was done exquisitely with choice of soothing colors and blend of artistic that is comparable to any overseas bank.

Weaknesses:

1. **Limited Workforce:** IFIC has limited human resources compared to its financial activities. There are not many people to perform most of the tasks. As a result many of the employees are burdened with extra workloads and work late hours without any overtime facilities. This might cause high employee turnover that will prove to be too costly to avoid.
2. **Problem in Delivery:** Few of the IFIC Bank products offered to its clients like "Personal Credit (PC)" is lying idle due to proper marketing initiative from the management. These products can easily be made available in attractive ways to increases its client base as well its deposit status.

Opportunities:

1. **Government Support:** Government of Bangladesh has rendered its full support to the banking sector for a sound financial status of the country, as it has become one of the vital sources of employment in the country now. Such government concern will facilitate and support the long-term vision of IFIC Bank.
2. **Evaluation of E-Banking:** Emergence of e-banking will open more scope for Bank Asia to reach the clients not only in Bangladesh but also in the global banking arena. Although the bank has already entered the world of e-banking but yet to provide full electronic facilities to its customer. A proper blend of Banking and information technology might give the bank leverage to its competitors. Nevertheless there are ample opportunities for IFIC Bank to go for product innovation in line with the modern day need. The bank has yet to develop credit card facility, lease financing and merchant banking.

Threats:

1. **Merger and Acquisition:** The Worldwide trend of merging and acquisition in financial institution is causing concentration. The industry and competitors are increasing in power their respective areas.
2. **Poor Telecommunication Infrastructure:** As previously mentioned, the world is advancing e-technology very rapidly. Though IFIC Bank has taken effort to join stream of information technology, it is not possible to complete the mission due to poor technology and infrastructure of our country.
3. **Frequent Currency Devaluation:** Frequent devaluation of Taka exchange rate fluctuations and particularly South-East Asian currency crisis adversely affects the business globally.
4. **Emergence of Competitors:** Due to high customer demand, more and more financial institutions are being introduced in the country. There are already 52 banks of various types are operating in the country. Many banks are entering the market with new and lucrative products. The market for banking industry is now a buyer dominated market. Unless IFIC Bank can come up with attractive financial products in the market, it will have to face steep competition in the days to come.

B. SWOT Analysis of Mercantile Bank:

The comparison of strengths, weaknesses, opportunities, and threats is normally referred to as a SWOT analysis. The central purpose of the SWOT analysis is to identify strategies that align, fit, or match a company's resources and capabilities to the demands of the environment in which the company operates. To put it another way, the purpose of the strategic alternatives generated by a SWOT analysis should be to build on company strengths in order to exploit opportunities and counter threats and to correct company weakness. MBL strengths, weaknesses, opportunities and threats are below:

Strengths:

- MBL has already established a favorable reputation in the banking industry of the country. It is one of the leading private commercial banks in Bangladesh. The bank has already shown a tremendous growth in the profits and deposits sector.
- MBL has provided its banking service with a top leadership and management position. The Board of Directors is the skilled person in business world. The top management officials have all worked in reputed banks and their years of banking experience, skill, and expertise will continue to contribute towards further expansion of the bank.
- MBL has already achieved a high growth rate accompanied by an impressive profit growth rate in 2014. The number of deposits and the loans and advances are also increasing rapidly.
- MBL has an interactive corporate culture. The working environment is very friendly, interactive and informal. And, there are no hidden barriers or boundaries while communicate between the superior and the employees. This corporate culture provides as a great motivation factor among the employees.
- MBL has the reputation of being the provider of good quality services to its potential customers.

Weaknesses:

- This bank has not any long-term strategies of whether it wants to focus on retail banking or become a corporate bank. The path of the future should be determined now with a strong feasible strategic plan.

- The bank failed to provide a strong quality recruitment policy in the lower and some mid level position. As a result the services of the bank seem to be Deus in the present days.
- Service quality of this bank is good but not high as the customer want and expectation.
- Some of the job in MBL has no growth or advancement path. So lack of motivation exists in persons filling those positions. This is a weakness of MBL that it is having a group of unsatisfied employees.
- In terms of promotional sector, MBL has to more emphasize on that. They have to follow aggressive marketing campaign.

Opportunities:

- In order to reduce the business risk, MBL has to expand their business portfolio. The management can consider options of starting merchant banking or diversify into leasing and insurance sector.
- The activity in the secondary financial market has direct impact on the primary financial market. Banks operate in the primary financial market. Investment in the secondary market governs the national economic activity. Activity in the national economy controls the business of the bank.
- Opportunity in retail banking lies in the fact that the country's increased population is gradually learning to adopt consumer finance. The bulk of our population is middle class. Different types of retail lending product have great appeal to this class. So a wide variety of retail lending products has a very large and easily pregnable market.
- A large number of private banks coming into the market in the recent time. In this competitive environment MBL must expand its product line to enhance its sustainable competitive advantage. In that product line, they can introduce lots of the ATM to compete with the local and the foreign bank.
- In addition of those things, MBL can introduce special corporate scheme for the corporate customer. At the same time, they can emphasize more on various social activities because it has these opportunities.

Threats:

- The default risks of all terms of loan have to be minimizing in order to sustain in the financial market. Because default risk leads the organization towards to bankrupt. Mercantile Bank has to remain vigilant about this problem so that proactive strategies are taken to minimize this problem if not elimination
- The low compensation package of the employees from mid level to lower level position threats the employee motivation. As a result, good quality employees leave the organization and it effects the organization as a whole.
- In recent years, the numbers of private bank is increasing. These banks always pose a threat for others by coming up with new product line, innovative technology, quality services, etc. Thus the level of competition rises and create threat for Mercantile Bank Ltd.
- Compared to their private banks of Bangladesh, the compensation of MBL is not so attractive. This poses a threat on the employees of switching to other banks from MBL.

The Following SWOT analysis might need to be focused by IFIC Bank, Mercantile Bank:

Strengths:	**Weaknesses:**
- Do all the activities through Online. - Large number of customers. - Not engaged in unfair business practice. - Location of the branches. - Alternative credit and deposit schemes than competitive markets.	- Location of ATM's. - Remittance investment so poor than other investment. - Do not have any strong advertisement. - Growth is slower than other competitive banks. - Lack of advance technology utilization in all aspects.
Opportunities:	**Threats:**
- Increase investment in remittance business. - Can adopt high technology based inter-branch networking system. - By hiring efficient employees may ensure services. - Take incentives to provide high quality service. - Reliability of the statement.	- Competitors are using more advance technological system. - Location of ATM's. - Governments increasing rules and regulations. - Mobile Banking services. - Competitive performance is in high positive flow.

Table-8: SWOT analysis of IFIC, MBL

5.1.2 Trend Analysis

A. Total Foreign Exchange:

BDT in Million

Particulars	2017	2018	2019	2020	2021
IFIC Bank	131903	168087	179162	183791	193982
MBL	154036	183741	210704	184791	203651

Table-9: Total foreign exchange of IFIC, MBL

BDT in Million

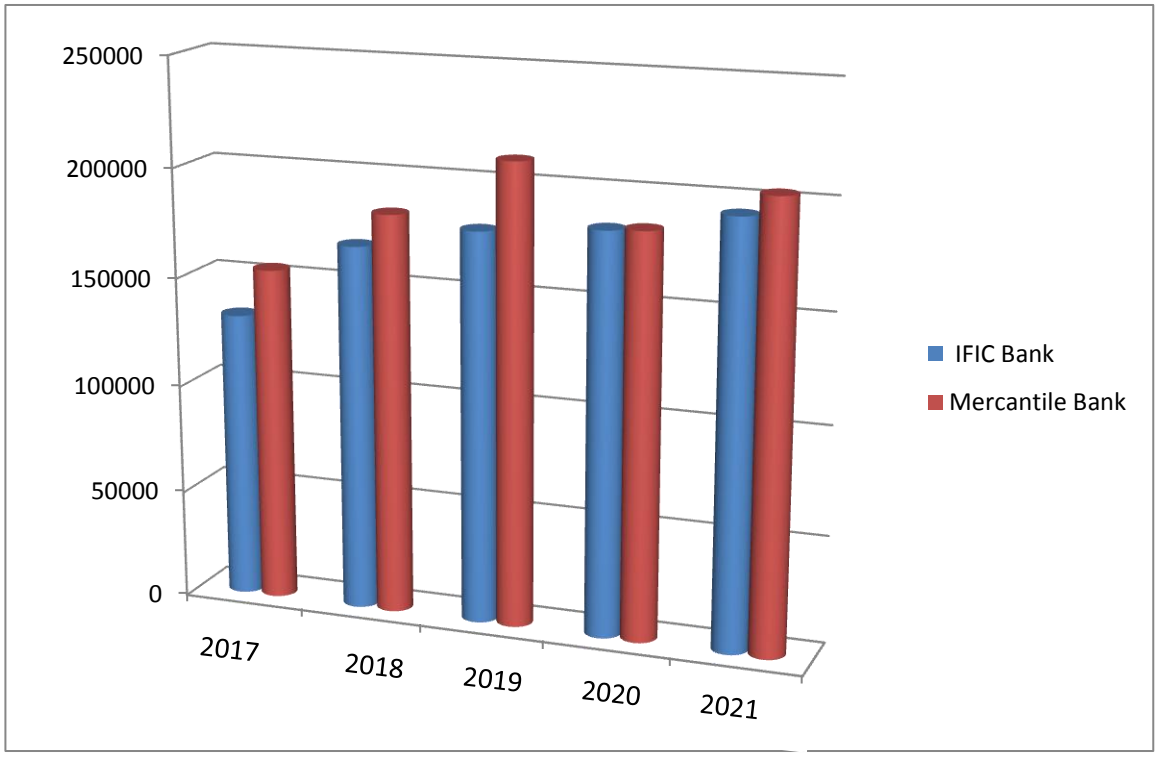


Figure-9: Total foreign exchange of IFIC, MBL Bank

The above graphical presentation shows 2017 to 2021 comparison of overall foreign exchange business. As we see that above trend we can see that is in better position compare to IFIC Bank and Mercantile Bank. IFIC Bank's total Foreign Exchange Business is lower than the Mercantile Bank. Though both of Mercantile Bank and IFIC Bank performance are upward trading.

B. Import:

BDT in Million

Particulars	2017	2018	2019	2020	2021
IFIC Bank	62467	71517	80710	84899	85326
MBL	89524	95008	113434	100686	107090

Table-10: Import of IFIC, MBL

BDT in Million

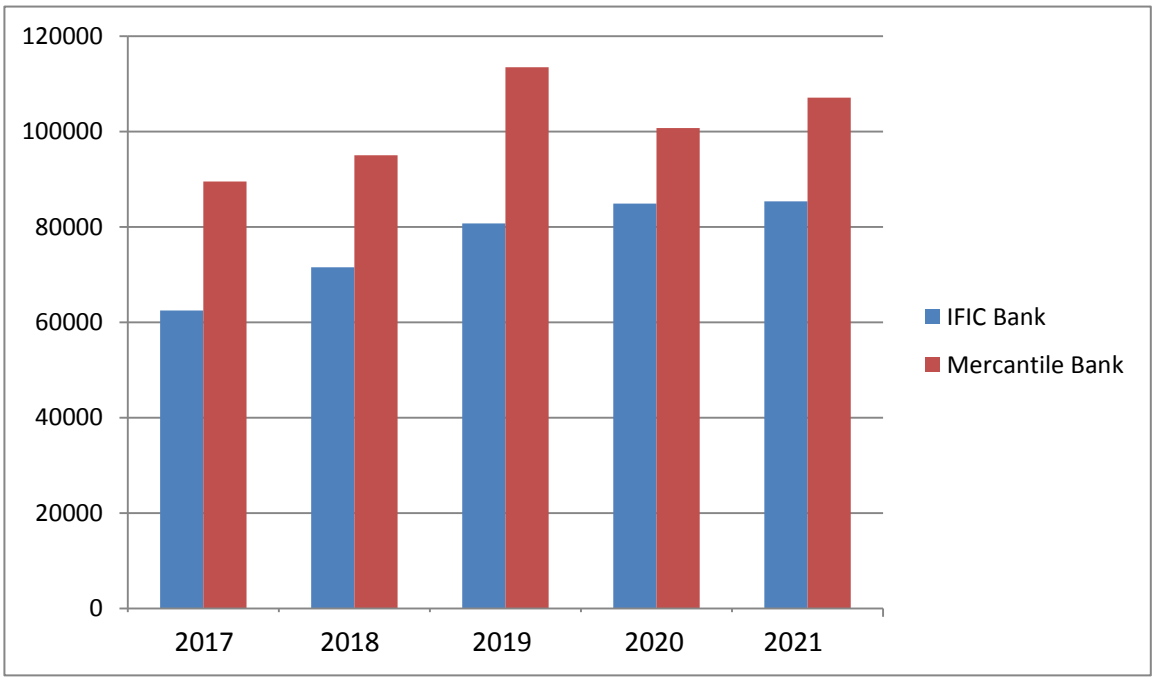


Figure-10: Import of IFIC, MBL Bank

From the above graph, we can see 2017 to 2021 Banks Import. In 2017 Import position is much higher than the IFIC and Mercantile Bank. IFIC Bank and Mercantile Bank Import business needs to fill up this gap by allowing Back to Back L/Cs.

C. Export:

BDT in Million

Particulars	2017	2018	2019	2020	2021
IFIC Bank	55981	83846	84147	83118	89894
MBL	59404	81312	81477	71672	78353

Table-11: Export of IFIC, MBL

BDT in Million

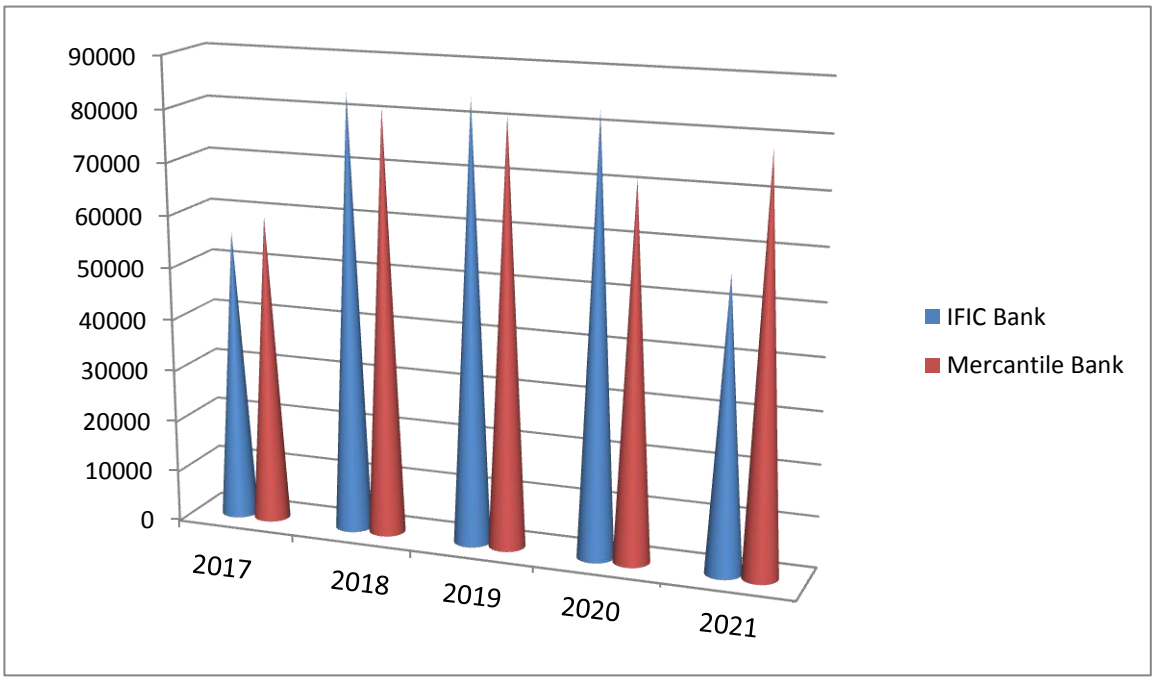


Figure-11: Export of IFIC, MBL Bank

The above graphical presentation shows 2017 to 2021 comparison of export business among IFIC Bank, Mercantile Bank. As we see the above trend we can say that is in better position than both of IFIC Bank and Mercantile Bank. IFIC Bank and Mercantile Bank need to accelerate the Export process to enhance foreign trade & foreign income for Bangladesh economy.

D. Remittance:

BDT in Million

Particulars	2017	2018	2019	2020	2021
IFIC Bank	13455	12724	14305	15774	18762
MBL	5108	7150	15793	12435	18209

Table-12: Remittance of IFIC, MBL Bank

BDT in Million

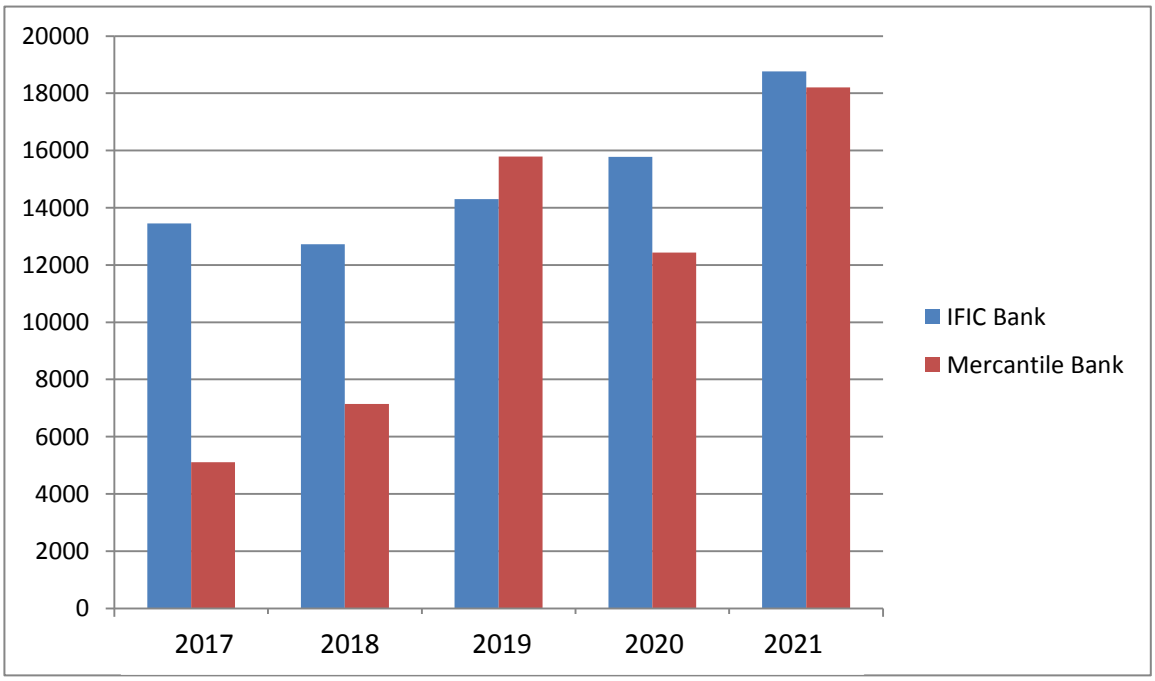


Figure-12: Remittance of IFIC, MBL

From the above trend we can see 2017 to 2021 remittance sector. In 2017 IFIC Bank and Mercantile Bank are in the same position. On the other hand position is very low in the trend in 2017. So should more concentrate of this sector.

5.1.3 Ratio Analysis

A. Profitability Ratios:

1. Gross Profit Ratio:

A measure of how well a company controls its costs. It is calculated by dividing a company's profit by its revenues and expressing the result as a percentage. Investors use the gross profit ratio to compare companies in the same industry and well as in different industries to determine what are the most profitable.

Formula:

$$\textbf{Gross Profit Ratio} = \frac{\textbf{Gross Profit}}{\textbf{Sales}}$$

Particulars	2017	2018	2019	2020	2021
IFIC Bank	71.25%	54.55%	44.72%	43.46%	47.39%
MBL	42.72%	37.54%	32.26%	34.72%	37.90%

Table-13: Gross profit ratio of IFIC, MBL

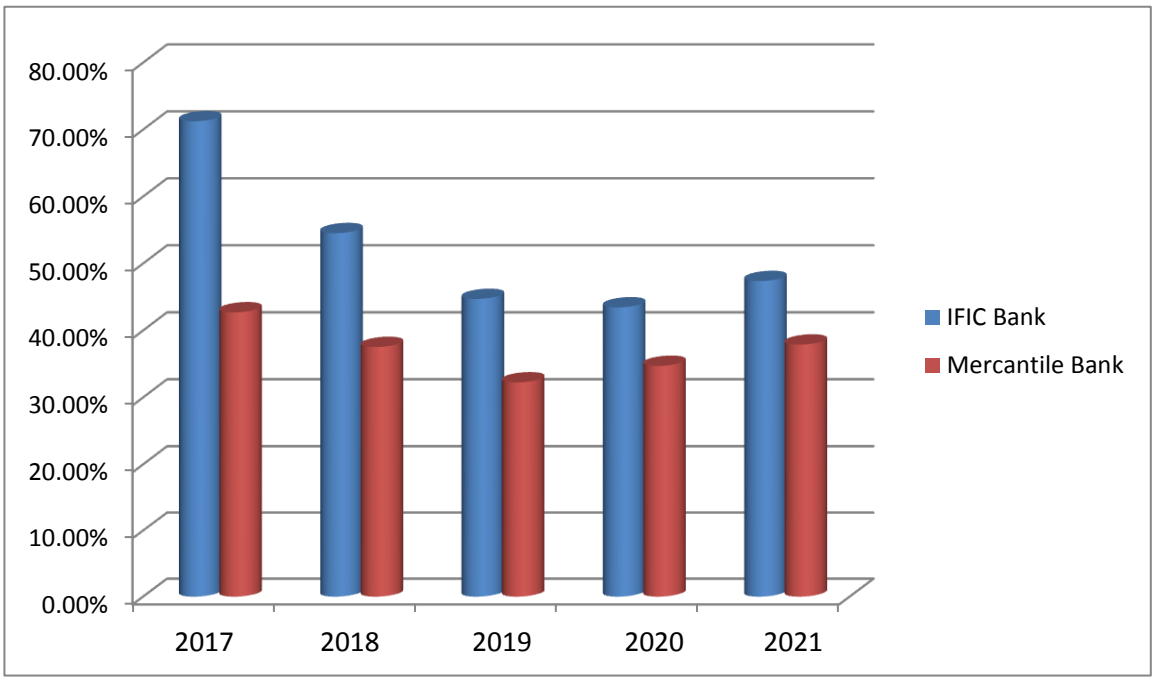


Figure-13: Gross profit ratio of IFIC, MBL Bank

As we see the above graph, gross profit ratio margin from 2017 to 2021. In 2017 IFIC Bank has a high ratio compare to Mercantile bank. So we can say that IFIC Bank generate good returns from it sales compare to Mercantile Bank.

2. Return on Equity:

Return on equity (ROE) measures the rate of return for ownership interest of common stock owners. It measures the efficiency of a firm at generating profits from each unit of shareholder equity, also known as net assets or assets minus liabilities. ROE shows how well a company uses investments to generate earnings growth.

Formula:

$$\mathbf{ROE} = \frac{\mathbf{Net\ Profit\ After\ Tax}}{\mathbf{Shareholder's\ Equity}}$$

Particulars	2017	2018	2019	2020	2021
IFIC Bank	33.12%	12.15%	15.43%	15.98%	15.67%
MBL	24.83%	20.59%	13.42%	16.84%	9.11%

Table-14: Return on Equity of IFIC, MBL Bank

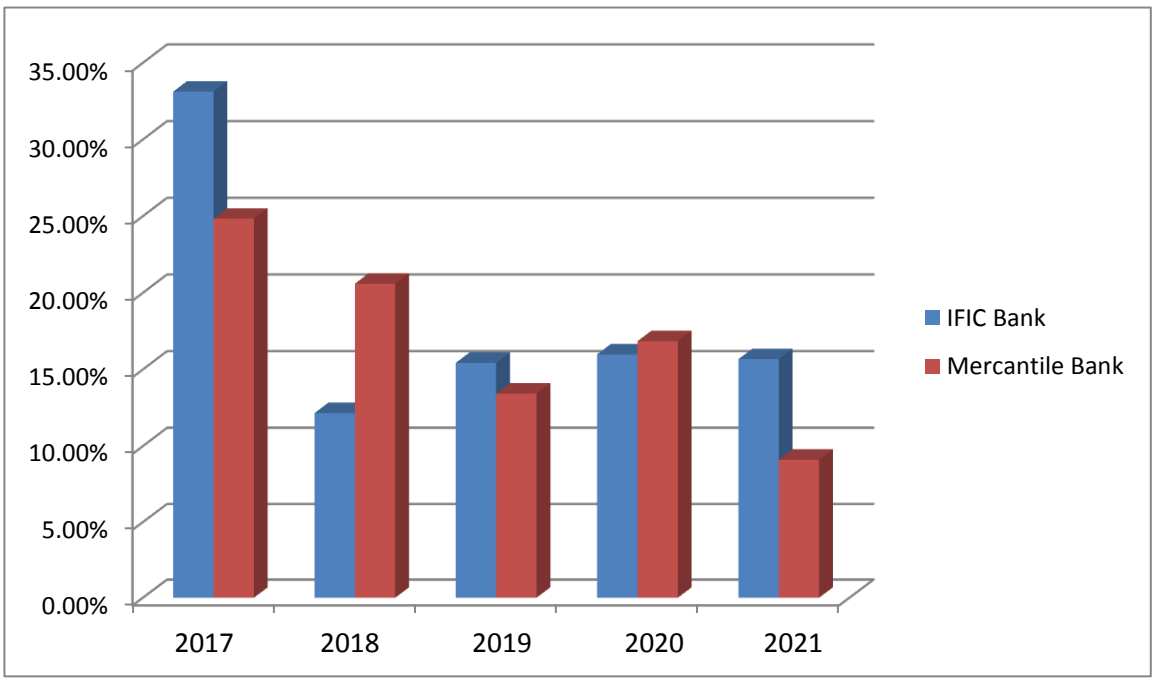


Figure-14: Return on Equity of IFIC, MBL Bank

As we see the above graph of return on equity from 2017 to 2021. In 2017 IFIC Bank ratio is much higher than the Mercantile Bank. So IFIC Bank is getting good return from investing their shareholders fund compare to Mercantile Bank.

3. Return on Assets:

The return on assets shows the percentage of how profitable a company's assets are in generating revenue. It gives an indication of the capital intensity of the company, which will depend on the industry; companies that require large initial investments will generally have lower return on assets.

Formula:

$$\mathbf{ROA} = \frac{\mathbf{Net\ Profit\ After\ Tax}}{\mathbf{Total\ Assets}}$$

Particulars	2017	2018	2019	2020	2021
IFIC Bank	2.49%	0.93%	1.07%	1.09%	1.07%
MBL	1.86%	1.70%	1.03%	1.33%	0.76%

Table-15: Return on asset of IFIC, MBL

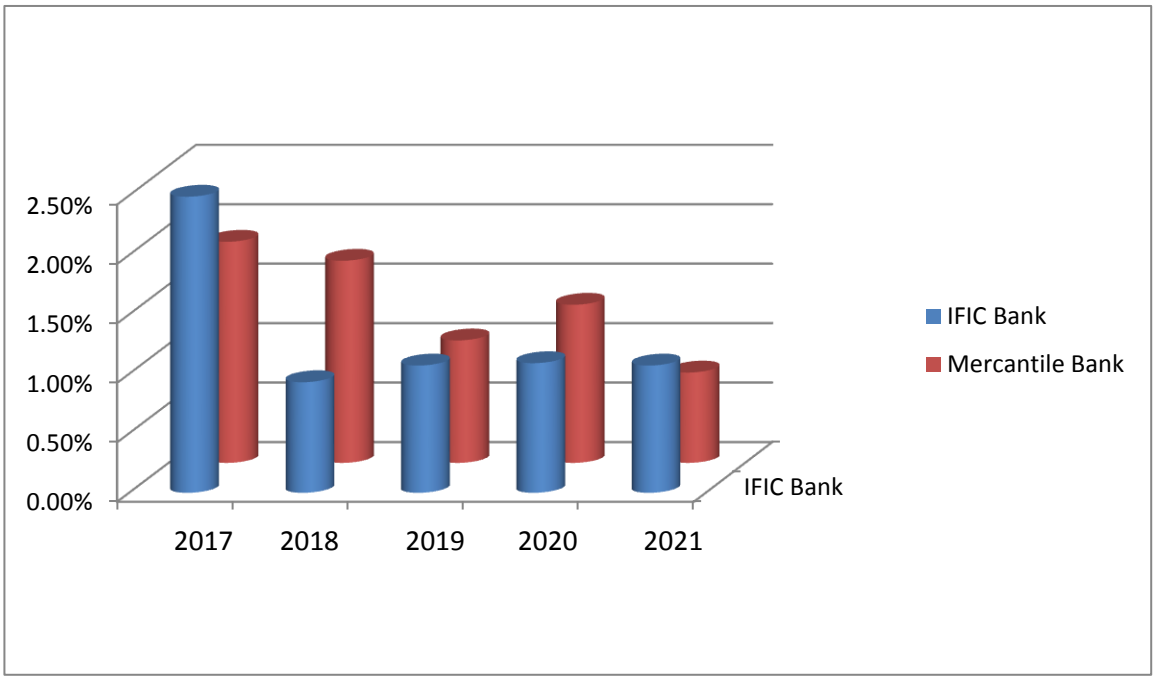


Figure-15: Return on asset of IFIC, MBL Bank

Its measure overall effectiveness in generating profits with available assets; earning power of invested capital. As we see on the above graph of return on asset from 2017 to 2021. In 2017 has slightly higher ROA ratio than IFIC Bank. So it is good for the both IFIC Bank. But for Mercantile Bank it is not good because it's ROA ratio is decreasing than previous year.

4. Net Profit Margin Ratio:

Net profit margin is an indicator of a company pricing strategies and how well it controls costs. Differences in competitive strategy and product mix cause the profit margin to vary among different companies.

Formula:

$$\textbf{Net Profit Margin Ratio} = \frac{\textbf{Net Profit After Tax}}{\textbf{Net Sales}}$$

Particulars	2017	2018	2019	2020	2021
IFIC Bank	22.71%	7.38%	8.24%	9.27%	9.93%
MBL	16.10%	13.50%	8.86%	10.95%	6.48%

Table-16: Net profit margin ratio of IFIC, MBL

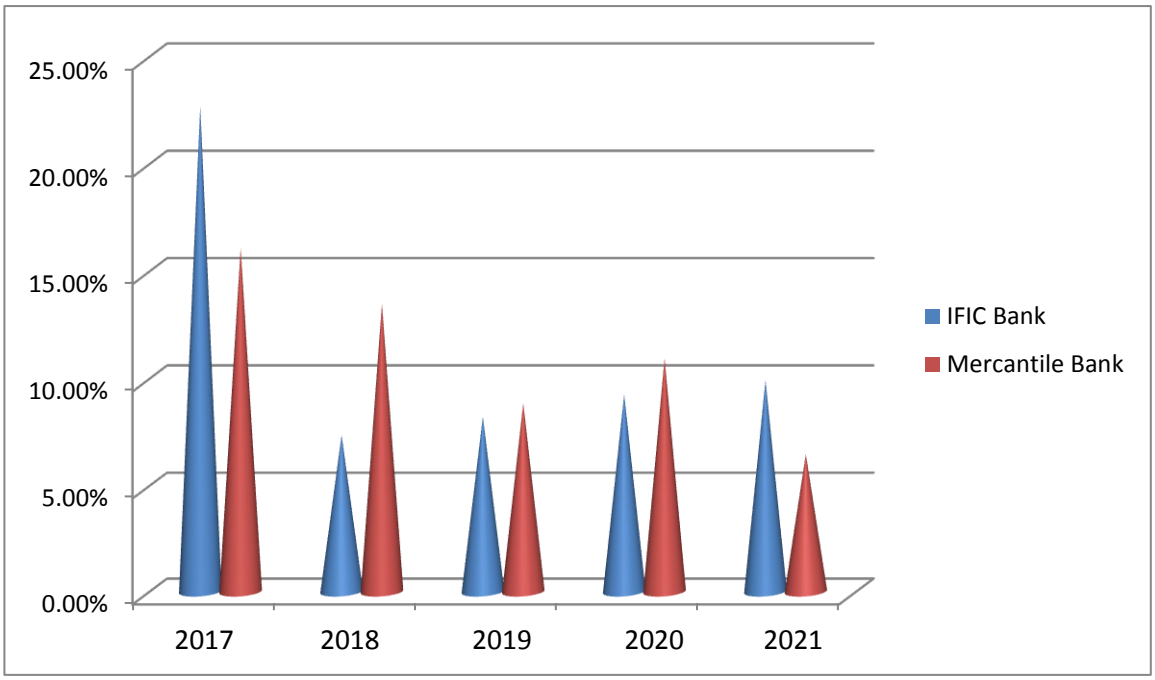


Figure-16: Net profit margin ratio of IFIC, MBL Bank

From the above graph we can see 2017 to 2021 net profit margin ratio. In 2017 profit margin ratio of IFIC Bank is similar but Mercantile Bank is lower. A low profit margin indicates a low margin of safety; higher risk that decline in sales will erase profits and result in a net loss, or a negative margin.

B. Leverage Ratios

1. Debt to Equity Ratio:

The debt-to-equity ratio (D/E) is a financial ratio indicating the relative proportion of shareholder's equity and debt used to finance a company's assets. Closely related to leveraging, the ratio is also known as Risk, Gearing or Leverage.

Formula:

$$\mathbf{D/E = \frac{Total\ Debt}{Shareholder's\ Equity}}$$

Particulars	2017	2018	2019	2020	2021
IFIC Bank	12.57%	11.52%	16.01%	25.92%	46.20%
MBL	11.13%	11.07%	12.97%	10.52%	11.46%

Table-17: Debt to equity ratio of IFIC, MBL Bank

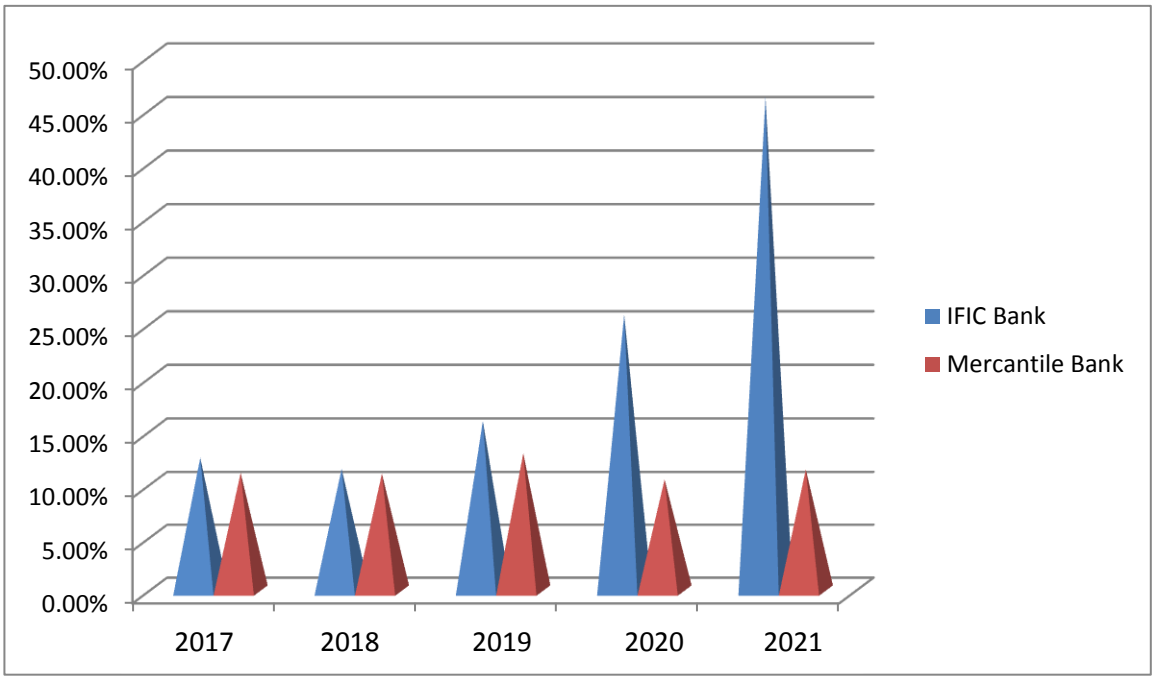


Figure-17: Debt to equity ratio of IFIC, MBL Bank

As we see from the above graph 2017 to 2021 debt to equity ratio. In 2017 IFIC Bank has much higher ratio compare to Mercantile Bank. A high ratio of IFIC Bank indicates that the Bank is much resourced with borrowing as compared to funding from shareholders. So Mercantile Bank need to be more concentrate on this ratio.

2. Debt to Total Assets:

Debt to total assets is a financial ratio that indicates the percentage of a company's assets that are provided via debt. It is the ratio of total debt and total assets.

Formula:

$$\mathbf{D/A = \frac{Total\ Debt/Liabilities}{Total\ Assets}}$$

Particulars	2017	2018	2019	2020	2021
IFIC Bank	91.74%	92.79%	93.24%	93.08%	93.20%
Mercantile Bank	91.75%	91.71%	92.84%	91.32%	91.98%

Table-18: Debt to total asset of IFIC, MBL Bank

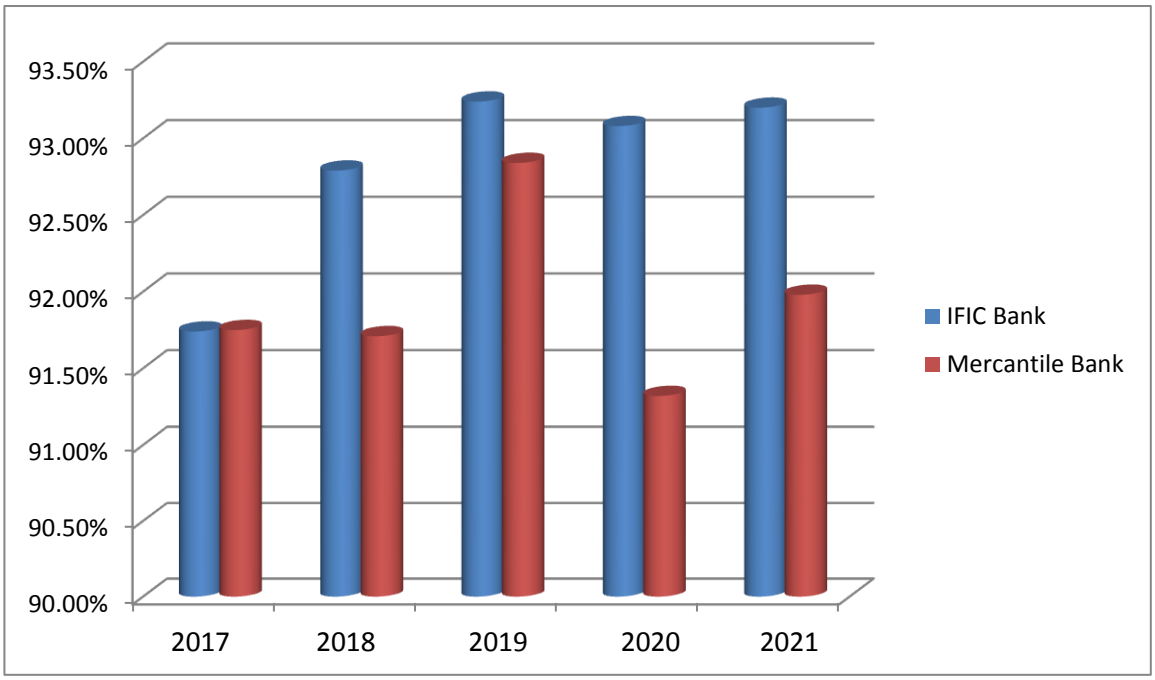


Figure-18: Debt to total asset of IFIC, MBL Bank

From the above graph we can see 2017 to 2021 debt to total asset. In 2017 three banks ratio is higher than 50% that means Banks assets are financed through debt. position is better compare to Mercantile Bank and IFIC Bank. Because the lower the ratio the less risk will be associated with firm's operation.

3. Financial Leverage Ratio:

The financial leverage ratio is a measure of how much assets a company holds relative to its equity. A high financial leverage ratio means that the company is using debt and other liabilities to finance its assets – and, everything else being equal, is more riskier than a company with lower leverage.

Formula:

$$\textbf{Financial Leverage Ratio} = \frac{\textbf{Total Assets}}{\textbf{Shareholder Equity}}$$

Particulars	2017	2018	2019	2020	2021
IFIC Bank	12.10	13.94	14.80	14.51	14.71
MBL	12.13	12.07	13.97	11.52	12.46

Table-19: Financial leverage ratio of IFIC, MBL Bank

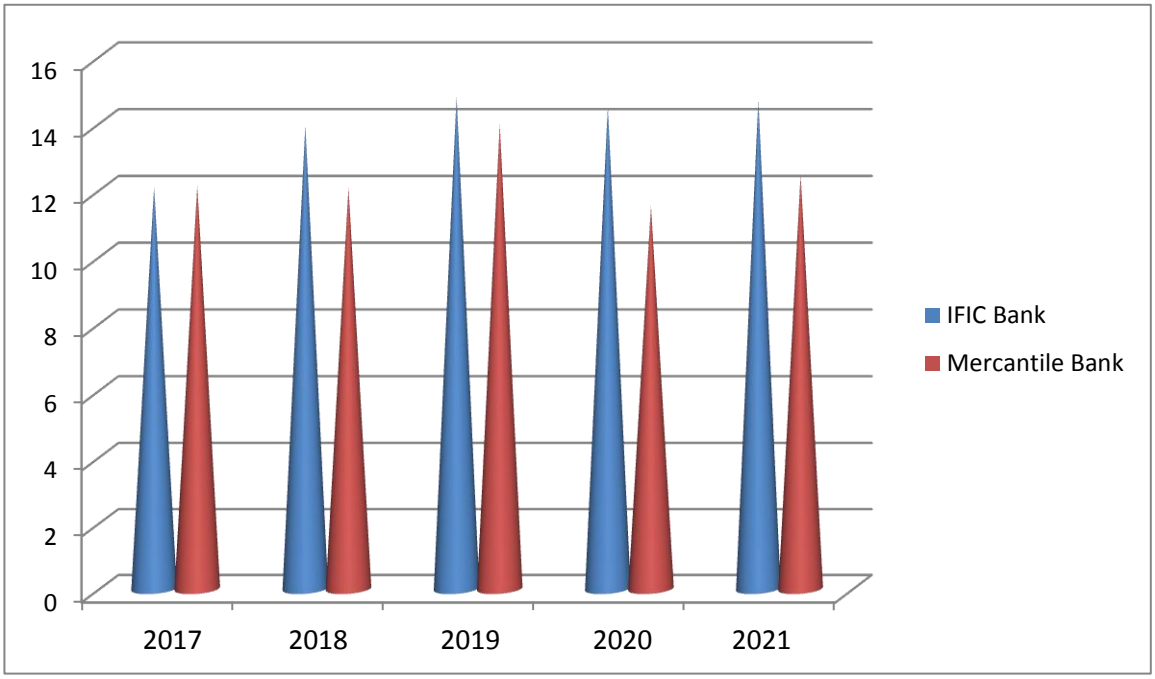


Figure-19: Financial leverage ratio of IFIC, MBL Bank

Financial leverage is better for the Bank when its ratio is low. From the above graph we can see 2017 to 2021 financial leverage. In 2017 has low ratio compare to IFIC Bank and Mercantile Bank.

C. Activity Ratio

1. Total Asset Turnover:

A financial ratio that indicates the effectiveness with which a firm's management uses its assets to generate sales. A relatively high ratio tends to reflect intensive use of assets. Total asset turnover is calculated by dividing the firm's annual sales by its total assets. Sales are listed on the firm's income statement and assets are listed on its balance sheet.

Formula:

$$\textbf{Total Asset Turnover} = \frac{\textbf{Net Sales}}{\textbf{Total Assets}}$$

Particulars	2017	2018	2019	2020	2021
IFIC Bank	10.42%	10.57%	11.69%	10.99%	9.96%
MBL	10.16%	11.02%	10.21%	12.48%	10.88%

Table-20: Total asset turnover of IFIC, MBL Bank

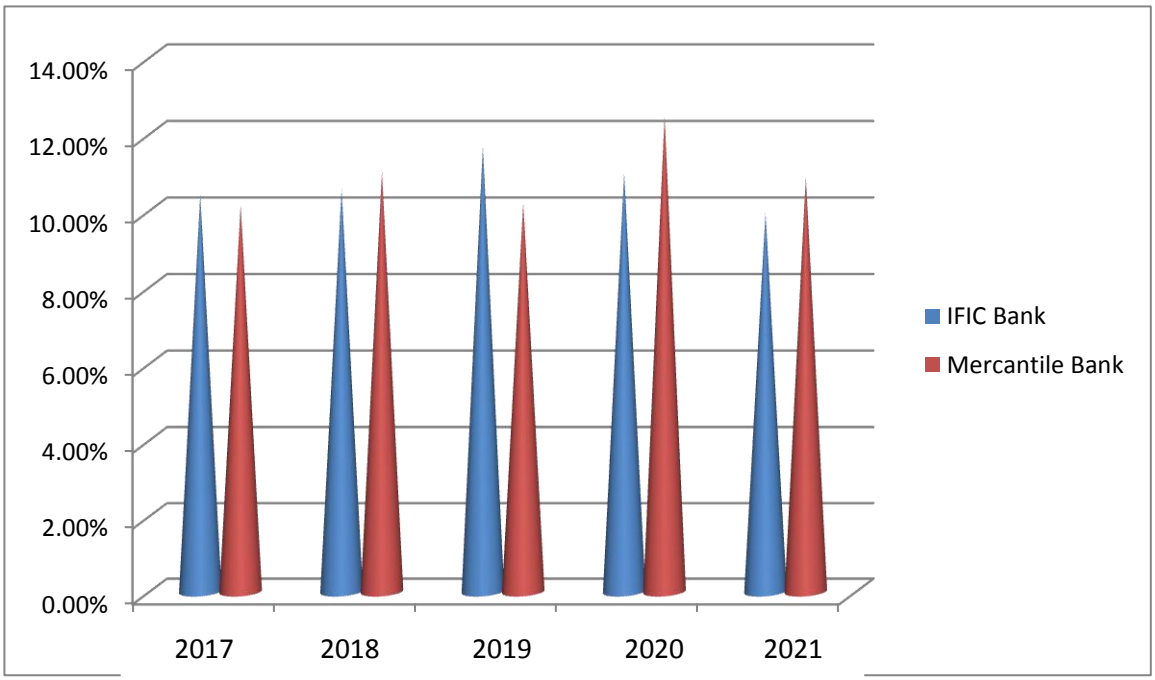


Figure-20: Total asset turnover of IFIC, MBL Bank

A high ratio indicates the Bank is using its assets efficiently to increase sales. From the above graph we can see 2017 to 2021 total asset turnover. In 2017 Mercantile Bank has high ratio compare to IFIC Bank. So Mercantile Bank using its assets efficiently to increase sales.

2. Fixed Asset Turnover:

Fixed asset turnover is the ratio of sales to the value of fixed assets. It indicates how well the business is using its fixed assets to generate sales.

Formula:

$$\textbf{Fixed Asset Turnover} = \frac{\textbf{Sales}}{\textbf{Fixed Assets}}$$

Particulars	2017	2018	2019	2020	2021
IFIC Bank	3.52	4.39	5.72	6.09	5.31
MBL	5.37	4.74	5.34	5.83	5.73

Table-21: Fixed asset turnover of IFIC, MBL Bank

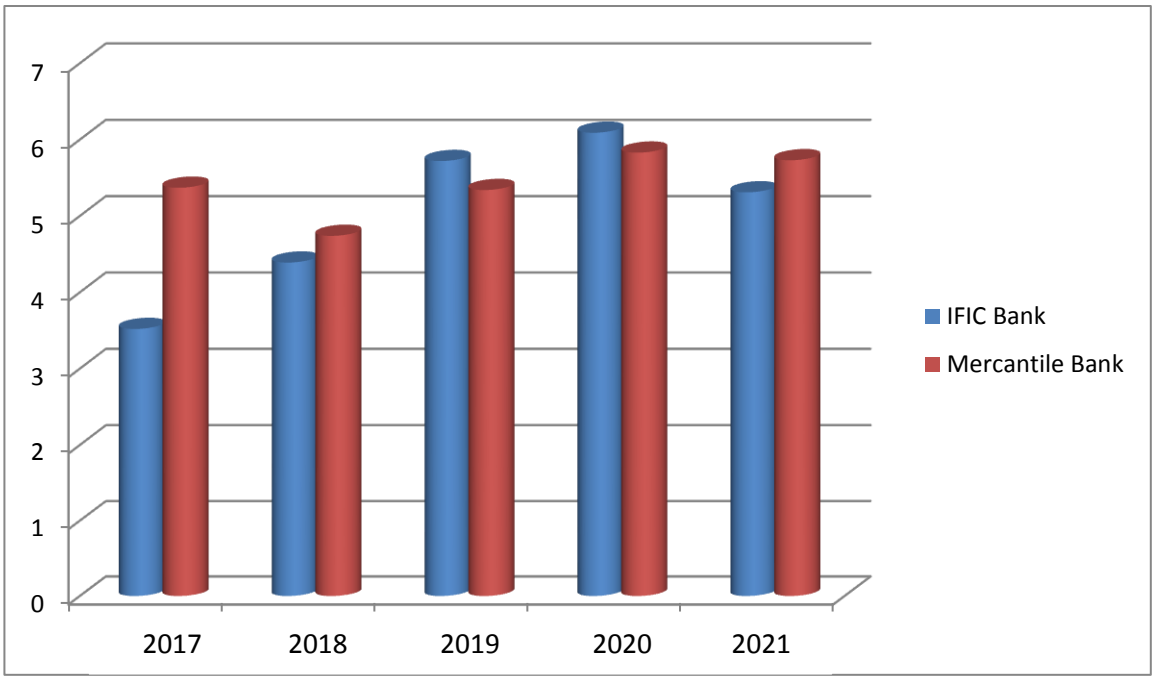


Figure-21: Fixed asset turnover of IFIC, MBL Bank

From the above graph we can see 2017 to 2021 fixed asset turnover. In 2017 has the better position compare to Mercantile Bank and IFIC Bank.

5.2 Findings

Major findings of the study are:

a. The IFIC Bank, Mercantile Bank follows the traditional Banking system. The entire Banking procedure is not fully computerized.

b. For the effectiveness of the foreign exchange department, MBL has divided the whole department into three major parts, which are Export, Import, and Remittance. But in case of IFIC the whole departments are in one major part.

c. The monitoring system of the MBL 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 duty. In case of IFIC the monitoring system of the foreign exchange department are good.

d. In MBL, IFIC it may be strictly observed that loan procedure is not influenced by the various factors.

e. The poor service quality has becomes major problem for the banks. The quality of the service at MBL, IFIC are better than that of some other commercial bank in Bangladesh. However, Banks has to compete with the Multinational Bank located here.

f. The main important thing is that the banks have lack of mission statement and strategic plan. Banks not have any long term strategies of whether they wants to focus on retail banking or become a corporate bank. The path of the future should be determined now with a strong feasible strategic plan.

g. Technical problems reduce the performance of the branch and extend the span of time resulting in loss (financial) and providing less service to both the bank and customers.

h. The working environment of Mercantile Bank is very interactive, informal and attractive. People working here are cooperative to the highest possible extent.

In case of IFIC Bank the working environment is not very interactive, informal and attractive. So people working here are not cooperative to the highest possible extent.

i. The Foreign Exchange Department of Mercantile Bank is very much strong. Clauses they use in dealing with the Foreign Bank in term of L/C opening and amendment of L/C, are very much expedient to the Foreign Bank. It is giving a competitive advantage to the MBL For this, businessman likes to deal their business with the MBL.

In case of IFIC Bank the clients are discourages to open new L/C because of the shortage of the necessary document to open L/C.

j. MBL top executives and officers are very helpful to the clients. In case of IFIC Bank employees are exposed to customer excessively which is an obstacle in systematic and prompt service.

k. For IFIC Bank, MBL, Financing in the international trade is very crucial for the economy as well as it is risky. Sometimes the government imposes restrictions to import and export some products. As a result the rate of opening L/C become reduces.

l. IFIC Bank, Mercantile Bank provide little assistance in relation with foreign exchange to the small entrepreneur comparing to large business houses.

m. The presence of modern data processing and communication equipments in inadequate in IFIC Bank, MBL.

n. Internal Control System (ICS) of IFIC, MBL is not up to the standard (as per BAS).

o. Anti money laundering procedures of the MBL Bank is very effective compare to IFIC.

p. The marketing strategy adopted by the IFIC Bank, MBL are effective but not efficient.

q. The expansion process of the IFIC, MBL has little match with the modern pace of globalization.

Chapter 6
Concluding Chapter

6.1 Recommendations

After analyzing **Foreign Exchange Operations of Commercial Banks,** It can be said that overall performance of this department of IFIC Bank, Mercantile Bank is satisfactory. From the comparative analysis and findings of the study, the following generalized recommendations can be made for improvement:

1. The Branches of three Banks move to the fully automated banking system. This will save a lot of time of personnel working here and will increase their and the Bank's performance thereby.
2. Increase of importing goods Banks should aware about over invoicing so that nobody can get chance to send money abroad illegally.
3. Increase of exporting goods Banks should aware about under invoicing so that nobody can get chance to avoid Tax, Vat, Duty.
4. MIS cell should be developed through internal tax, e-mail etc.
5. Accounting system of Banks should be software base.
6. Fund management of Banks should be more efficient. This will reduce the average cost of working fund.
7. Productivity measurement should be done from time to time through developing customer services.
8. Stuck up advances should be reduced through more recovery at lower rate of interest.
9. If the bankers can scrutinize the Commercial invoice it will decrease the Money Laundering.
10. The Assistant Commissioners of Tax can contribute more. They must be more careful about invoicing and restricted products.
11. Internal control system of Banks to be further strengthened.
12. Banks should introduce new innovative products to attract new potential customers and also keep its existing customer happy.
13. Improve their own ATM network and maintain sufficient fund in ATM booth.
14. ATM card facilities are not easy to Banks. So they are losing their many potential customers. So I think banks should take necessary step to easy their ATM card facilities for their customers.
15. Banks should hold and increase overall satisfaction rate and provide modern service, modern equipment, light behavior, physical facilities and so on.

16. There are more gaps are showing between perception and expectation of the respondents. As soon as possible remove this gap, which are existing between clients and banks.
17. The bankers must be careful in financing international trade. So that, the bank does not fall in bad loss provision stated by Bangladesh Bank.
18. Banks should Fixed-up specific types of client strategy according to the different character of client.
19. Commission income occupies the major part of the total earnings of a banks and profitability mainly depends on commission earning capacity, so research and development cell of the banks should put more effort for the purpose of introducing an efficient Foreign Exchange Department.
20. Banks can introduce more advanced MIS system to mobilize its day to day activities. It will help the employee to do their works more quickly and at the same time maintaining their quality of work.

6.2 Conclusion

Banking industry in Bangladesh is now on the right track. The Banks are contributing much than the previous years for the growth and development of the country. Credit for such contribution by the industry goes to the Bangladesh Bank. Banking industry is much organized because of strong vigilance and supervision of Bangladesh Bank. In the industry IFIC, MBL are the pioneers in many criteria. IFIC, MBL Bank are committed towards the excellence in the service with efficiency, accuracy and proficiency. Like most of the commercial Banks, Foreign Exchange Department is one of the most important departments of IFIC, MBL Bank. Perhaps, it is the most important department of the Banks. This department is driving the banks from the front. Through the import, export and foreign remittance operations, this department is making a great contribution to the Banks and the economy as a whole. If it is said that this department of the Banks is running according to all of the ideal principles of modern foreign exchange business mentioned in the book, it will be exaggerated. Despite problems and weaknesses, it is driving the Banks from the front. With an easy to understand operating guidelines, transparent operating procedure and a team of highly knowledgeable and proficient personnel, this department is expanding and excelling itself day by day.

Consumers are more or less satisfied with the present services of the banks. Management should think to start new services and take different types of marketing strategy to get more customers in this competition market of banking.

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8.0 Abbreviations

A/C	Account
AD	Authorized Dealer
ALCO	Asset Liability Committee
B/E	Bill of Exchange
BEXIM	Bangladesh Export Import
B/L	Bill of Lading
BJMC	Bangladesh Jute Mills Corporation
BML	Bank of Maldives Limited
CAD	Cash against Document
CCI & E	Chief Controller of Import & Export
C/I	Commercial Invoice
CIB	Credit Information Bureau
CSE	Chittagong Stock Exchange
DD	Demand Draft
DSE	Dhaka Stock Exchange
EPB	Export Promotion Bureau
ERC	Export Registration Certificate
EVA	Economic Value Added
EXIM	Export Import
EXP	Export Form
FC	Foreign Currency
FDBC	Foreign Documentary Bill for Collection
FDBP	Foreign Documentary Bill Purchase
FDD	Foreign Demand Draft
FOB	Free on Board
GBP	Great Britain Pound

IBC	Inward Bills for Collection
ICS	Internal Control System
IFIC	International Finance Investment & Commerce
IMP	Import Form
IRC	Import Registration Certificate
KYC	Know Your Customer
L/C	Letter of Credit
LCA	Letter of Credit Authorization
LDBP	Local Document Bill for Purchase
LIM	Loan against Import Merchandise
LTR	Loan against Trust Receipt
MBL	Mercantile Bank Limited
MCR	Minimum Capital Requirements
NBBL	Nepal Bangladesh Bank Ltd.
OBU	Offshore Banking Unit
OIE	Oman International Exchange
PI	Pro-forma Invoice
PO	Pay Order
PSI	Pre Shipment Inspection
RWA	Risk Weighted Assets
SBP	State Bank of Pakistan
STD	Short Term Deposit
SWIFT	Society for Worldwide Inter Bank Financial
TIN	Tax Identification Number
TT	Telegraphic Transfer
TR	Trust Receipt