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Foreign Exchange Operation: A Study On Bank Asia Limited

Nazim Ullah¹

Abstract

Financial institution plays significant role in development of the business activities. Specially bank has significant contribution foreign exchange activities in any country. Foreign exchange operation looking at the export and import perspective of the banks. The aim of the paper is to review and evaluate the foreign exchange operation of Bank Asia Limited, Bangladesh. More specially, looking at the bank 's overview, profile, documentations for the foreign exchange operation, and its performance evaluation. The information related to the foreign exchange operation has been collected from the banks directly as well financial statement of the bank during 2014. The study has reviewed and discussed general overview and banks profile, import and export operation, proper documentations as well performance evaluation of the Bank Asia limited. Based on the evaluation it is seen that Bank Asia Limited is doing well in performing foreign exchange activities. Their role in facilitating forex activities to the customer is uncountable. Specially, documentation preparation time is no longer even less than 7 days. However, the length of the forex transection is higher since the filling documentation time is lower. Finally, this report will beneficial for the banks as well the student who are analysis on the same topic.

Keywords: Overview, Export, Import, Documentations, Performance, and Bank Asia Limited

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1.1 Introduction

Financial development is essential for economic growth and development, and weak financial systems make countries vulnerable to crises. A growing body of empirical literature shows these relationships. This means that to enhance economic growth, developing countries must take initiative to increase both the financial depth and diversity of their financial sectors. Banking sector is one of the most important sectors for the economy of a country. Sometimes it is called heart of the economy.

Bangladesh has bank based financial system. It means core financial services are provided by banks. From 1971 to till today the total number of bank in Bangladesh is 54(matrix online limited); which include four nationalized banks, five governments owned specialized banks, thirty domestic private banks and ten foreign banks. Besides that, there are twenty-eight non-banking financial institutions also conducting their operation in this country.

Bank Asia Limited is one of the most renowned 3rd generation banks which is really contributing to the financial system of Bangladesh. Bank Asia Limited is one of the private commercial banks (PCBs), incorporated in Bangladesh on 28 September 1999 as a public limited company under the Companies Act 1994, and governed by the Banking Companies Act 1991. The Bank went for public issue of its shares on 23 September 2003 and its shares are listed with Dhaka Stock Exchange Ltd. and Chittagong Stock Exchange Ltd.

I have completed my 12 weeks internship program on Bank Asia Limited (Agrabad Branch). Here in this report, firstly, I will evaluate the banking industry then I will try to find out Bank Asia's competitive market position in that industry.

1.2 Origin Of The Report

As part of the Internship Program of Bachelor of Business Administration course requirement, I was assigned for doing my Internship in Bank Asia Limited for the period of 3 months starting from 18th February to 18th May, 2014 as an intern by the Internship Placement Office of, Department of Business Administration, International Islamic University Chittagong. During my intern period in the Bank Asia Limited, Agrabad Branch, I worked under all three major departments of the bank with special concentration on Foreign Trade Department. I worked under the supervision of Mr. Iftekhar Uddin Ahmed, Senior

Officer, Bank Asia Limited, Agrabad branch. My project was “**Foreign Exchange Operation of Bank Asia Limited**”.

1.3 Objective

1.3.1 Broad objectives:

The main objective of the study is to evaluate data of Bank Asia Limited in financing foreign trade.

1.3.2 Specific objectives:

The following points speak about objective of this report are:

- To examine the overview of the Bank Asia Limited.
- To know about the documentation procedures and foreign exchange operation.
- To evaluate the performance of foreign exchange operation of Bank Asia Limited.
- To find out the findings and recommend necessary solution of foreign exchange operation.

1.4 Methodology:

1.4.1 Analysis Approach and Instruments:

This report is an exploratory one which analyzes the effect of the above mentioned process on the economy. Based on secondary data the situations have been analyzed and on this ground personal view according to economical perception is given. Organization structure and functions are collected from the bank. Data regarding the export and import scenario has been collected from URL of Bangladesh Bank and Bureau of Statistics.

1.4.2 Work schedule during internship:

I have worked in Foreign Exchange division of the branch for 90 days

1.4.3 Sources of Data:

Both primary and secondary sources of data were used in the report preparation.

Primary Data were gathered by direct interviewing higher officials and clients of Bank Asia Limited. Information was collected and clarifications made through discussion with concerned employees.

Secondary Data sources were:

A. Internal Sources-

- Bank's Annual Reports
- Prior research reports
- Foreign Trade Manual of Bank Asia Limited

B. External Sources-

- Bangladesh Bank Report
- Different Books and periodicals related to Foreign Trade
- Newspapers, Magazines, Journal, and Articles
- Website's of different financial service providers

1.5 Scope Of The Report

This study would focus on the following areas:-

- Actual Foreign Exchange management of Bank Asia Limited.
- Overview the current procedure of export & import and remittance Management.
- Opening LC and maintenance of other formalities of foreign exchange.
- Organizational structures and responsibilities of management.
- Each of the above areas would be critically analyzed to determine the

Proper efficiency of Bank Asia Limited's Foreign Exchange operation system.

1.6 Limitation Of The Study

- The main limitation of the study is as follows:
- Due to shortage of time I could not get at the depth knowledge of Foreign Trade of the Bank Asia, Agrabad branch, as the period for which I was assigned was very short.
- Sufficient records, publications, facts and figures are not available. These constraints narrowed the scope of the analysis.
- For the reason of confidentiality, some useful information cannot be expressed in this report.
- I was not able to visit the different branches of Bank Asia and had to depend on the Agrabad Branch for all the information regarding overall foreign exchange mechanism.

Over View Of Bank Asia Limited

2.1 Organizational Overview:

Bank Asia has been launched by a group of successful entrepreneurs with recognized standing in the society. Bank Asia started its operation on the 27th of November 1999 with paid up capital of Tk. 1116 million. The opening of the Principal Office was a big leap forward and successively the opening of Corporate, Gulshan and Chittagong Branch expanded the horizon of Bank Asia to bring its services to the valued clients more effectively.

Within a very short period, the Bank has opened 2 more branches in Dhaka and 2 branches in Sylhet and Kishorganj. In February 2001 Bank Asia took over the Bangladesh operation of The Bank of Nova Scotia, the first acquisition of a foreign bank by a local bank in the history of Bangladesh. Later, Bank Asia took over the Bangladesh operation of Muslim Commercial Bank of Pakistan in December 2001. These courageous moves were possible for some visionary decision-makers and also dedicated team of professionals who are constantly putting all their best efforts to establish the bank as one of the leading concerns in the industry.

Bank Asia has so far been highly successful in keeping its clientele satisfied with its high quality services, while continuing its expansion to reach more people around the whole nation. Bank Asia conducts all types of commercial banking activities. The core business of the bank comprises of import, export, working capital finance and corporate finance. The bank is also rendering personal credit, and services related to local and foreign remittances. The “Personal Credit” scheme of the bank, which is designed to help the fixed income group in raising standard of living is competitively priced and has been widely appreciated by the customers. The Bank also has ATM services and very lucrative deposit schemes i.e. DG+, DB+, MB+ which have earned the Bank a name in the market. The bank’s strategy is to gradually cover the total arena of banking. Bank Asia has set its aim high enough. The management of Bank Asia is determined to maintain and upgrade the quality of these resources through continuous training and up gradation of technology to keep pace with market demands, new developments and practices of the competitors. Bank Asia entered the market at a time when the economic policy environment of the country is poised for higher levels of business activities and growth. The prevailing macroeconomic management and the

government's determination to carry on reforms in the banking sector provide a supporting and encouraging environment.

2.2 Vision

Bank Asia's vision is to have a poverty free Bangladesh in course of a generation in the new millennium, reflecting the national dream. Our vision is to build a society where human dignity and human rights receive the highest consideration along with reduction of poverty.

2.3 Mission Statement

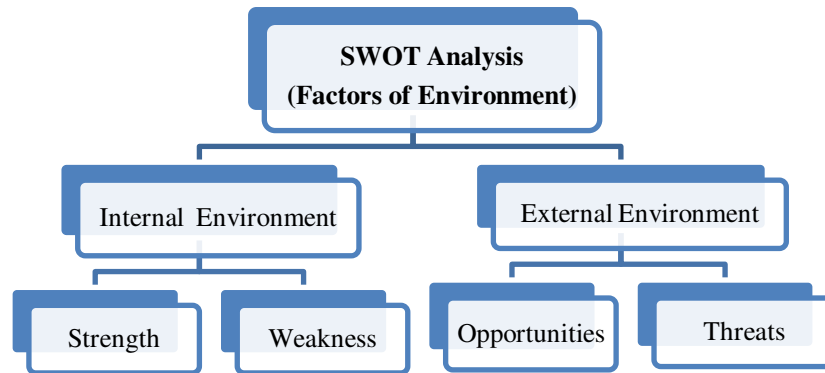
- To assist in bringing high quality service to our customers and to participate in the growth and expansion of our national economy.
- “To set **high standards** of integrity and bring **total satisfaction** to our clients, shareholders and employees.”
- “To become the **most sought after bank in the country**, rendering technology driven **innovative services** by our **dedicated team of professionals**.”

2.4 Objective

Bank Asia has set its aim high enough. Its aims are:

- To provide high quality services to its customers.
- To participate in the growth and expansion of our national economy,
- To set high standards of integrity,
- To bring total satisfaction to our clients, shareholders and employees,
- To become the most sought after bank in the country, rendering technology driven innovative services by a dedicated team of professionals

2.5 SWOT Analysis of Bank Asia Ltd..



<p style="text-align: center;"><i>Strength</i></p> <ul style="list-style-type: none"> • Human resource • Technology • Goodwill • Assets • Good location 	<p style="text-align: center;"><i>Weakness</i></p> <ul style="list-style-type: none"> • Manual work • Poor training facilities • Higher interest on consumer loan • Lack of sufficient qualified officers. • Centralization \$ limited branch
<p style="text-align: center;"><i>Opportunity</i></p> <ul style="list-style-type: none"> • E-banking • Islamic banking • Can increase the credit scheme. • Have opportunity to increase market share. 	<p style="text-align: center;"><i>Threat</i></p> <ul style="list-style-type: none"> • Duplication of the banking services • Govt. imposes tax & VAT on profit.

2.6 Branches

The Bank at present carrying its banking activities through 73 Branches including ATM, Locker & Foreign Exchange services in the country. It has nine rural branches as well. Now the Bank is rendering services

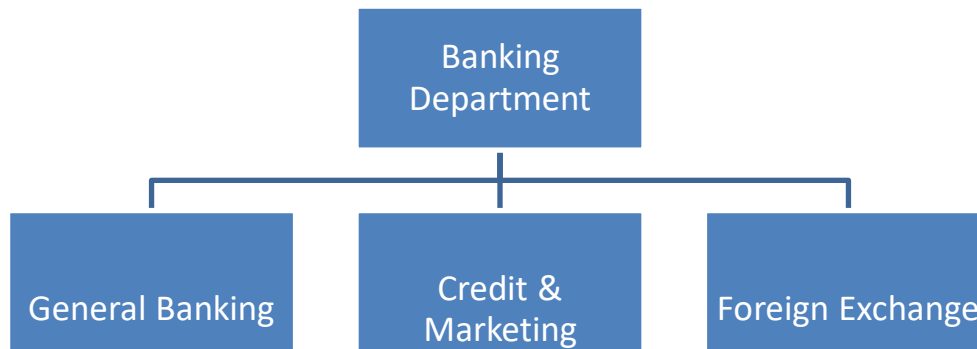
Through its 73 Branches, 5 Islamic Windows, 6 SME Service Centers, 1 Off-shore Banking Unit, and 2 Subsidiary companies

Considering user facilities, Bank Asia Ltd divides their branches in several categories. Like: Branches with ATM, Branches with Locker Service, Branches with Foreign Exchange, Branches with general Banking etc. Most of the links under specific category are visible here.

2.7 Bank Asia's Functional Departments:

The Bank Asia Limited has the following departments, which includes the whole operations of the bank. The departments are listed below with their major section in the following table.

Departments in Bank Asia Limited



<i>Major Sections</i>	<i>Department Name</i>
Branches	Customer Service Department
	Payment & Cash Management
	Islami Banking
	Accounts Department
	Dispatch
	Clearing Department

<i>Major Sections</i>	<i>Department Name</i>
	Credit Department
	Foreign Trade Department
Corporate Office	Human Resources Department
	International Division
	Treasury
	IT (Information Technology)
	Card Division

2.8 Corporate Information

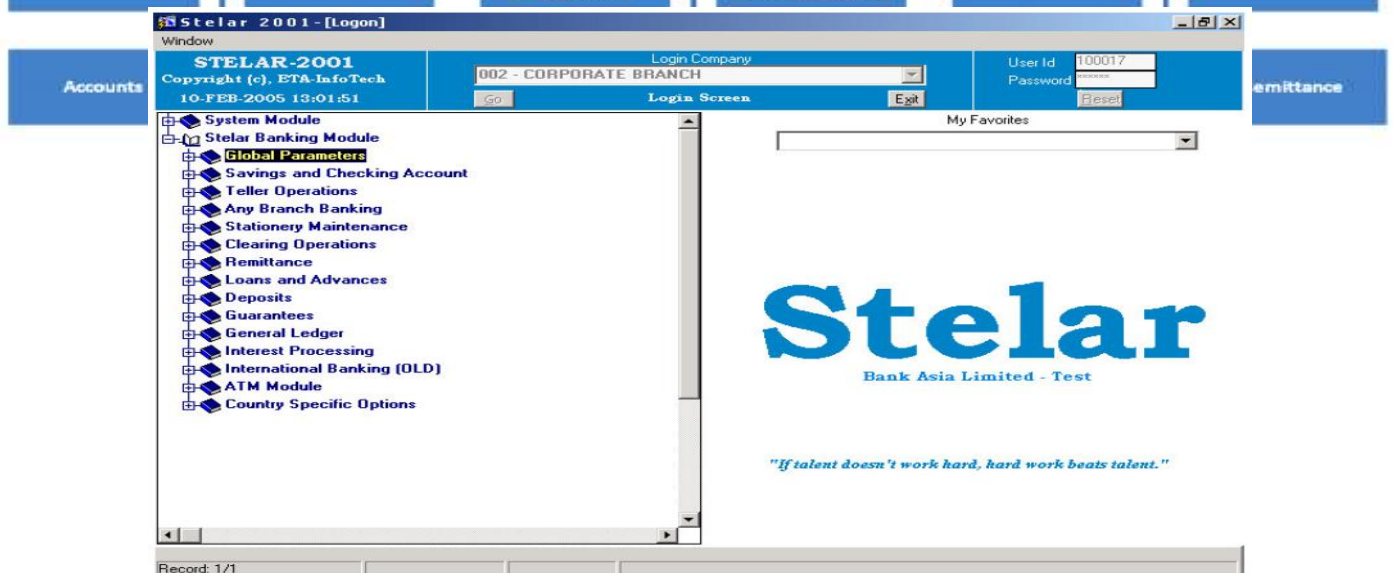
- Letter of intent received 24/02/1999
- First meeting of promoters 15/04/1999
- Certificate of incorporation received 28/09/1999
- Certificate of commencement of business 28/09/1999
- First meeting of board of directors held 01/10/1999
- Banking license received 06/10/1999
- First branch license received 31/10/1999
- Inauguration of bank 27/11/1999
- Date of publication of prospectus 29/06/2003
- Date of IPO subscription 23/09/2003, 24/09/2003
- Date of first share trading in bourse 08/01/2004
- Date of agreement with CDBL 20/12/2005
- Date of first scrip less trading 30/01/2006
- Number of promoters 22
- Number of directors 13
- Number of brokerage branches 5
- Auditors S.F. Ahmed & Co. (SFACO)
- Chartered Accountants
- House: 25, Road: 13A, Block: D, Banani, Dhaka-1213, Bangladesh
- Legal Advisors Hasan & Associates
- Barristers & Advocates
- Dhaka Chamber of Commerce Building (6th Floor)
- 65-66 Motijheel C/A Dhaka 1000, Bangladesh
- Shameem Aziz & Associates
- Barristers & Advocates

- Paramount Heights Suit no-5D2, (5th Floor)
- Purana Paltan, Dhaka-1000, Bangladesh
- Legal Retainer Mr. M. Sakhawat Hossain
- Robin Tower, Room-502, (4th Floor)
- 42/43 Purana Paltan, Dhaka-1000, Bangladesh
- Registered Office Rangs Tower (2nd to 6th floor), 68 Purana Paltan
- Dhaka-1000, Bangladesh
- Tell: 7110042, 7110173, 7110177, Fax: 88-02-7175524
- Swift: BALBDDH
- Email: bankasia@bankasia.com.bd
- Web: www.bankasia-bd.co Internet Banking: www.bankasia.net

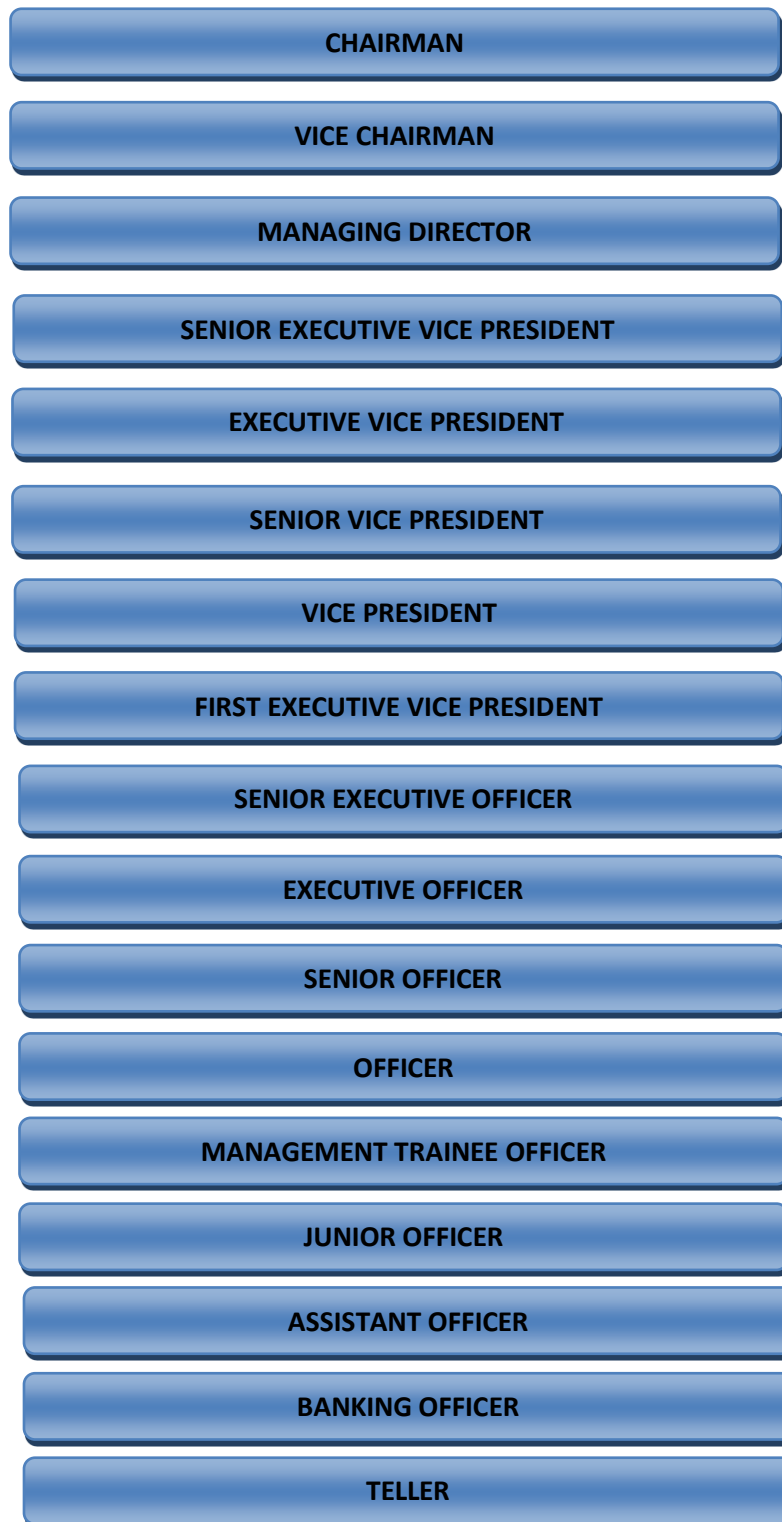
2.9 Structure of Bank Asia Ltd, Agrabad Branch:



2.10 The Automated Banking System 'Stelar' Looks Like Below:



2.11 Organizational Hierarchy of Bank Asia Limited



2.14 Products and Services at Bank Asia Ltd.:

Bank Asia is always working with product developments. Products and services from the bank are briefly shown below:

2.14.1 Mobile Banking

Bank Asia launched its M-Banking product at short code '2929' from all mobile operators in collaboration with SSL which allows the customers to access their bank accounts from their mobile phone. Through SMS facility one can access his/her account using his/her mobile phone from anywhere, anytime at his/her convenience to know the account position.



2.14.2 Internet Banking

Internet banking facility has brought about tremendous change in the Bank's business process, since many customers feel comfortable to execute transactions through the Internet. Bank Asia symbolizes modern banking with innovative services in Bangladesh. It has centralized Database with online ATM, SMS and Internet query service. The customers of Bank Asia can access their bank account using own ID and Password from anywhere through internet and can do banking transactions.



2.14.5 Bonus Saving Scheme

Bank Asia Ltd. promise to fulfill every possible customer need with high efficiency and satisfaction. Its team of dedicated professionals is committed to provide an unparalleled service by using the latest technology to make bankable proposals harvest maximum benefits for the customers, the shareholders and the society at large. It is an immense pleasure for Bank Asia to introduce Bonus Savings to its customers.



2.14.7 Credit Facilities

Bank Asia offers three credit facilities up to 45 days & minimum 15 days without any interest. Customer can also pay 8.33% of his billing



amount or current dues every month and thus have the flexibility to plan his payment.

2.14.8 Real Time online Banking:

Bank Asia symbolizes modern banking with innovative services in Bangladesh. It has centralized database with online ATM, SMS and Internet query services. One can use debit / credit card facility



with ATM. For SMS service one should have personal cellular phone with at least an account in Bank Asia. Through internet banking one can access the account to view and print the balance and account statement for last twenty transactions.

2.14.10 SME Banking:

Bank Asia has strengthened and expanded its SME credit operations extensively. Bank Asia follows distribution of SME credit through its established branches & SME Centers to cater the needs of small segment of clients. As of 31st December 2010, the SME credit portfolio of the Bank was Tk. 2,142.16 million compared to Tk. 745.50 million in 2009.



Other product and services of the Bank Asia Limited are given below....

- Islamic banking
- Customized loan
- Poverty alleviation
- ATM banking
- Locker services

Foreign Exchange Operation

3.1 Meaning of Foreign Exchange

Foreign Exchange Department is international department of Bank. It deals globally. It facilitates international trade through its various modes of services. It bridges between imports and exports. Bank Asia Limited use SWIFT (Software) for international interbank communication.

Foreign Exchange means foreign currency. It includes all deposits, credits and balances payable in foreign currency as well as foreign instrument such as drafts bill of exchange, promissory note in any foreign currency.

According to Foreign Exchange Regulation Act 1947, “Any thing that conveys a right to wealth in another country is foreign exchange.

3.1.1 Administration of Foreign Exchange in Bangladesh:

Foreign Exchange Regulation Act, 1947 was adapted in Bangladesh immediately after independence to regulate certain payments, dealings in foreign exchange and securities and the import and export of currency and bullion. However, a few provisions have been added under the foreign exchange regulation (Amendment) ordinance, 1976. The Act has 27 sections and a number of sub-sections.

The main objectives of the Act are to conserve the limited foreign exchange resources and to ensure that the available foreign exchange is utilized only for priority requirements in the economic and financial interests of Bangladesh and the maintenance of the proper accounting of foreign exchange receipts and payments. Under the Act, the responsibility and authority of administration of foreign exchange is vested by the government with the Bangladesh Bank. Bangladesh Bank reviews the exchange control measures from time to time and revises the instructions on policy and measures, whenever necessary through different Foreign Exchange (FE) circulars.

3.1.2 Importance of Foreign Exchange Business in Bangladesh

- Meeting the demand of products where we have the gap between demand and supply.
- Consumers get privilege through International Trade.
- National assets of a country are to be utilized properly.
- International trade gives an exchange opportunity of goods.

- International trade helps to produce domestic production as well as global production

3.1.3 Foreign Exchange Mechanism:

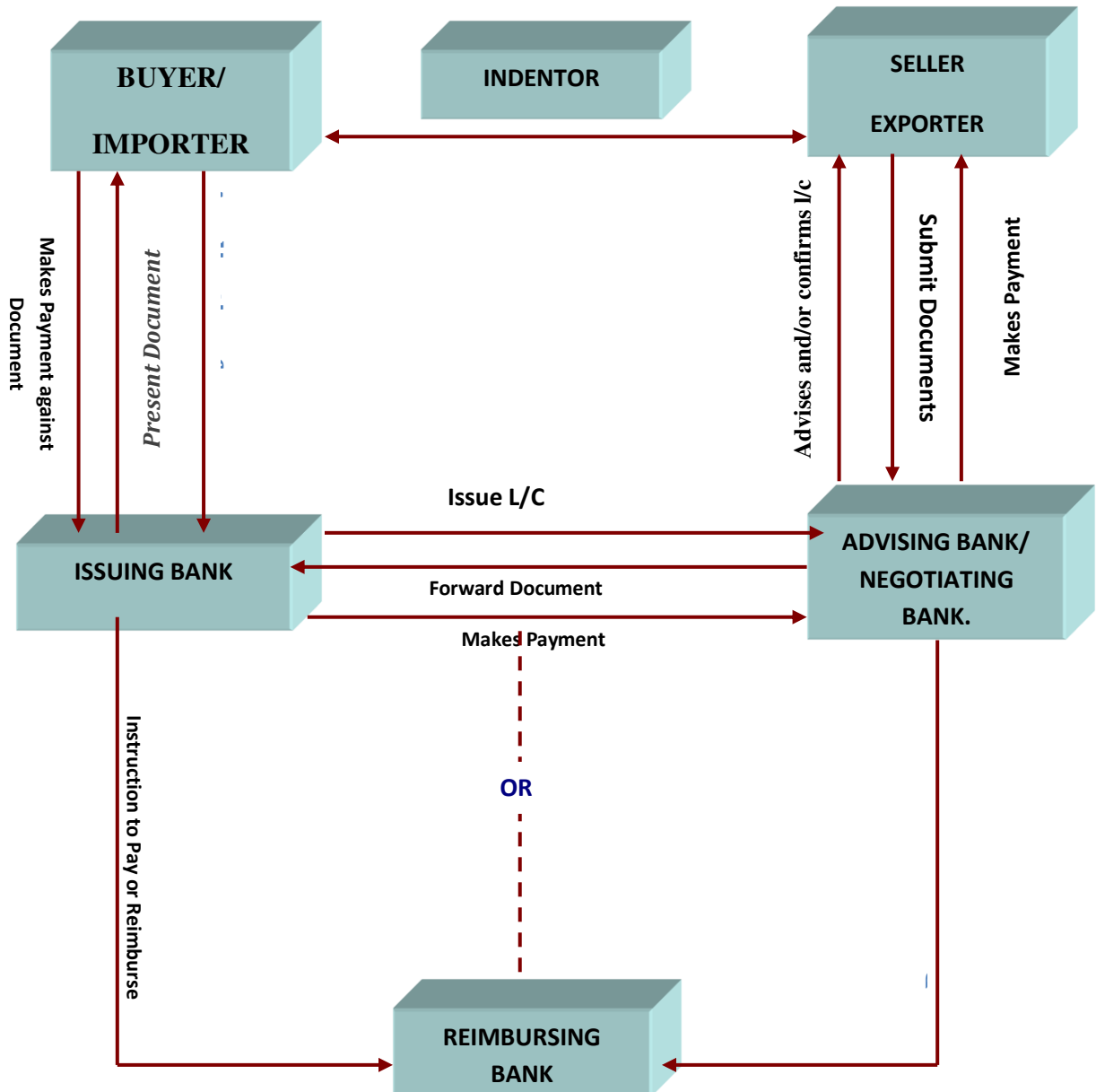
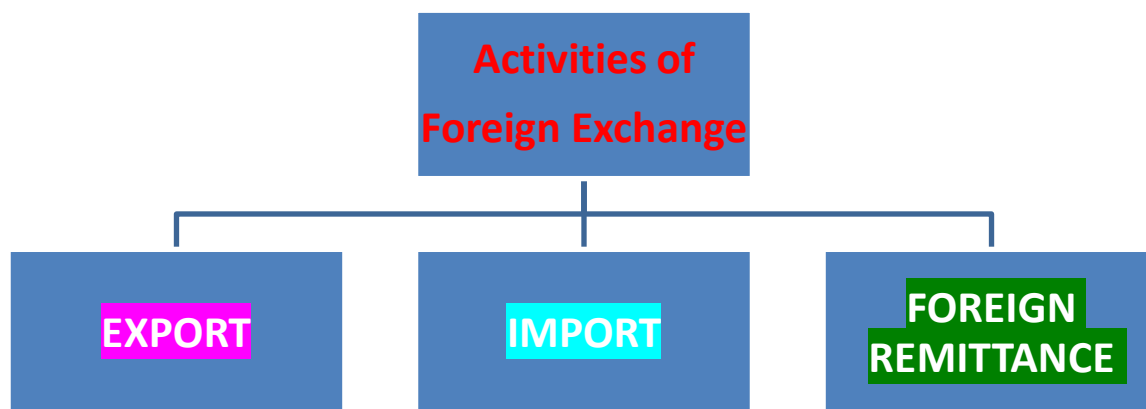


Fig: Foreign Exchange Mechanism

3.1.4 Activities of Foreign Exchange Department:



Foreign trade operations in Bank Asia Limited are segmented in to 3 (three) separate departments depending on their nature of trade flow.

- **Import Department**
- **Export Department &**
- **Remittance Department**

3.1.5 Function of Foreign Exchange Department

- L/C opening & amendment
- Sanctioning PAD, LIM, LTR, Packing Credit.
- Foreign Bill Purchase.
- Local Bill Purchase
- Foreign Currency Account Maintaining.
- Foreign Currency Remitting.

3.1.6 Guidelines Governing Foreign Exchange

- Bangladesh Bank Guidelines for Authorized Dealers
 - Volume I

- Volume II

- Import Policy issued by the Ministry of Commerce.
- Export Policy issued by the Ministry of Commerce.
- Public Notice, Time-to-Time Issued by Bangladesh Bank.
- CCI & E issues public notice for any kind of changes in Foreign Exchange Transaction.

International Regulation for Foreign Exchange

1. ICC has issued some publications like UCPDC, URC and URR etc., which are being followed by all the member countries.
2. WTO, GATT have role in international trade through its member countries.

3.1.7 Rates used in Foreign Business:

➤ Rate of Exchange

Rate of exchange is the value of one currency expressed in terms of another currency. In a free world market under the system of floating rates of exchange where there is no Exchange Control, the value of price of a currency in terms of other foreign currencies does not remain fixed but varies constantly with every change in the existing relationship between the world demand for and world supply of the currency concerned arising out of commercial and financial transactions as well as the influences of the currency associated with political, commercial and industrial conditions prevailing in the country concerned. But under the system of Exchange Control, the value of the currency of the country concerned is arbitrarily determined by the monetary authority of that country according to their monetary and economic needs.

➤ How Rates of Exchange are quoted:

In the Foreign Exchange market, rates of exchange are quoted in two ways i.e. either for spot/ready delivery or for forward delivery.

1. Spot Exchange Rates:

Spot rates are quoted for transactions where the foreign currency bought or sold is to be received or delivered immediately. But in actual practice, such transactions are completed within two working days after the dealing date.

2. Forward Exchange Rates:

Forward rates are quoted either at 'par' or at a discount of premium over spot rates but actual delivery of the foreign currency takes place at some future date as agreed upon at the time of the deal.

3.2. Mechanism of L/C:

At the inception stage, Buyer and seller concludes a sales contract providing for payment by documentary credit. As per requirement of the contract, the seller sends a Proforma invoice to buyer. Buyer accepts it by putting a signature and submits to his/her Bank called Issuing Bank along with other necessary documents to issue a credit in favor of the seller (beneficiary). Instruction/ application for issuing a credit should be made by the buyer (importer) in the issuing bank's standard form. The credit application, which contains the full details of the proposed credit, also serves as an agreement between the bank and the buyer. After being convinced about the 'necessary conditions' are contained in the application form and 'sufficient condition' to be fulfilled by the buyer for opening a credit, the opening bank then proceeds for opening the credit to be addressed to the beneficiary.

3.2.1 Opening of L/C

The importer applies for opening of L/C with the below mentioned documents/papers. In his application the Importer offers to deposit certain amount of L/C value as margin. Before getting permission for opening L/C, An importer should compliance with the following criteria:

- One Current Account in the respective Branch.
 - Up to date valid IRC (Import registration Credit Letter), which was duly issued by CCI&E.
 - TIN (Tax identification Number)
 - VAT Reg. Certificate
 - CIB (Credit information Bureau) report and net worth of the potential customer from Bangladesh Bank
 - The Branch may also get information regarding the particular prospect from other financial institution or Bank, if and when necessary.

After fulfilling all of the above-mentioned criteria's positively, the Branch will welcome the particular importer to open L/C; Consequently, The importer will be forwarded the following documents for getting L/C:

A forwarding letter for opening L/C.

1. Trust Receipt
2. Demand Promissory note.

3. Letter of continuity.
4. IMP form. 2 copies
 - a) One copy (Original) for Bangladesh Bank
 - b) The other copy (Duplicate) for Applicant Bank copy, which is used for Exchange control purpose, Bill of entry or Invoice certified purpose.
5. Stamp (Amount TYK.150/=)
6. LCA form. 5 copies:
 - i. 1st one for exchange control purpose should be sent to Bangladesh Bank. So the back page is duly endorsed named: L/C Endorsement and bill Endorsement.
 - ii. 2nd copy is for custom purpose, when the customer approach for retire document this LCA form should enclosed along with other documents.
 - iii. 3rd one for statistical purpose.
 - iv. 4th one for CCI&E office purpose.
 - v. 5th one is office copy
7. Proforma Invoice/Indent.

(If supplier has no direct agent in importing country then they issued proforma invoice otherwise indent.) Importer has to sign in the proforma invoice as acceptance.
8. Insurance cover note.
9. Money receipt.
10. Insurance “Ga” form.

The said no. 2,3,4 and 5 are provided by the Branch to the clients through completion of necessary formalities and then the importer submits all the said documents to the respective officer for opening L/C. after receiving the above documents the respective officer has to perform the following responsibilities:

1. Verify the signature.
2. Scrutinize the receiving documents whether any discrepancy is existed or not. If no
3. Check the client’s account whether sufficient amount of money are available or not. (if yes then proceeds for Preparing L/C) if no
4. Request the client to deposit money in his account. if completed, then
5. Prepare a draft L/C based on given proforma invoice/indent.
6. Verify it by the authorized officer. If O.K.
7. Finalization of L/C
8. Make 5 (Five) copies in favor of six different names. Such as:
 - i. Advising Bank Copy
 - ii. Beneficiary’s copy

- iii. Applicant copy.
 - iv. Office copy for master file
 - v. Office copy for respective file.
9. Put a signature by two authorized Officer. and

After completing all the formalities Applicant Bank issues an L/C as per Guideline of Bangladesh Bank Exchange control Manuel.

➤ **Advising of L/C:**

L/C Issuing Bank dispatches the L/C (Advising Bank's copy along with Beneficiary's copy) to the Advising Bank, which is the corresponding bank of the issuing bank. On receipt of L/C from the issuing bank, advising bank confirms authentication of the signatures or test number of the L/C. after authentication, advising bank forwards the original L/C to the beneficiary keeping duplicate copy for their record.

➤ **Adding Confirmation:**

The confirming bank does adding confirmation. Confirming bank is a bank, which adds its confirmation to the credit, and it is done at the request of the issuing bank. The confirming bank may or may not be the advising bank. Add the confirming Bank gives confirmation. An Add confirmation letter contains the followings:

- L/C No.
- L/C amount
- Items to be imported, etc.

➤ **Amendment of Credit:**

Parties involved in a L/C particularly the seller and the buyer cannot always satisfy the terms and conditions in full as expected due to some obvious and genuine reasons. In such a situation the credit should be amended. Bank Asia transmits the amendment by tested telex to the advising bank.

For the following reasons L/C amenmented.

- Value of the L/C Increase or decrease
- Shipment date Change.
- Negotiation date extend.
- Port of Shipment Change.
- Acceptance of third party document.
- Transshipment & Partial Shipment

- Expire date extend etc.

➤ **Shipment of goods:**

Then, the beneficiary being satisfied with the terms and conditions of the credit arranges shipment of goods within the stipulated period. The beneficiary receives bill of lading from the shipping company.

➤ **L/C Cancellation:**

If Buyer & Seller reach in consensus for not to continuing their contract, then the applicant of that L/C approaches to issuing Bank to do so. Consequently, a letter from the beneficiary as an acceptance of cancellation of L/C should be submitted to Applicant Bank.

➤ **Preparation and submission of documents:**

The seller or beneficiary has to present some documents evidencing dispatching of goods to the negotiating bank on or before the stipulated expiry date of the credit. The beneficiary prepares some documents and obtains some documents from different sources as per L/C terms. Generally the following documents are prepared/ obtained in connection with shipment of goods:

- Bill of exchange
- Bill of lading/ air way bill/ truck receipt
- Commercial Invoice
- Packaging List
- Pre-shipment Inspection Certificate
- Certificate of Origin
- Other documents s per L/C

The beneficiary submits the documents with original L/C within stipulated period to the bank.

➤ **Reimbursement of bill value:**

On receipt of reimbursement claims from the Negotiating Bank, the Reimbursing Bank honor that claim by debit to issuing bank's A/C maintained with them. Before debit to A/C, the Reimbursing bank must ensure that the issuing bank authorized them to honor the claim.

➤ **Lodgment of Import bill:**

After some period, the Issuing bank receives documents from the Negotiating Bank. At this stage, the Issuing Bank officials check whether these documents have any discrepancy or not.. The following are as usual shipping document, which is received by the issuing Bank from Negotiating Bank or Beneficiary's Bank:

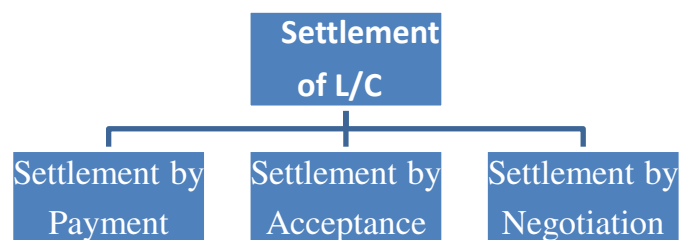
- a. **Bill of Exchange:** is an instrument by which sellers can obtain the payment from their Buyer's for the invoice value of Goods.
- b. **Commercial Invoice:** Total description of the Goods including Total quantity, Unit Price and total Value of the Goods.
- c. **Packing List:** Including: total net weight & Gross Weight of the invoiced Goods.
- d. **Bill of Lading:** Documents duly manually sign by the Master of the Vessel or their authorized agent, which declare that the receipt the particular goods mentioned on the paper.
- e. **Analysis Certificate:** Total composition of the Goods with percentage.
- f. **Beneficiary Certificate**
- g. **Shipment Advice**
- h. **Phytosanitary Certificate.** (Food Grains)
- i. **Radiation Certificate.** (Food Grains)
- j. **Other documents** (differ from case to case)

After receiving the shipping documents along with forwarding schedule from the Negotiating Bank or Beneficiary Bank, the respective officer of the issuing Bank carefully scrutinizes the documents as per L/C terms & conditions.

After scrutinizing the shipping documents meticulously if there are any discrepancy are found the Issuing Bank immediately inform importer by written to seek his acceptance of documents despite discrepancy. If the importer refuses to accept the documents, the L/C issuing Bank protest discrepancy to the Negotiating Bank by cable or telex.

3.2.2 Settlement of L/C:

Settlement means fulfilling the commitment of issuing bank in regard to effecting payment subject to satisfying the credit terms fully. This settlement may be done under three separate arrangements as stipulated in the credit. These are:



- **Settlement by payment:** Here the seller presents the documents to the paying bank and the bank then scrutinizes the documents. If satisfied, the paying bank makes payment to the beneficiary and in case this bank is other than the issuing bank, then sends the documents to the issuing bank. If the issuing bank is satisfied with the requirements, the paying bank from the issuing bank obtains the payment.
- **Settlement by acceptance:** Under this arrangement, the seller submits the documents evidencing the shipment to the accepting bank accompanied by a draft drawn on the bank (where credit is available) at the specified tenor. After being satisfied with the documents, the bank accepts the documents and the draft and if it is a bank other than the issuing bank, then sends the documents to the issuing bank stating that it has accepted the draft and at maturity the reimbursement will be obtained in the pre-agreed manner.
- **Settlement by Negotiation:** This settlement procedure starts with the submission of documents by the seller to the negotiating bank accompanied by a draft on the issuing bank or any other drawee, at sight or at tenor, as specified in the credit. After scrutinizing that the documents meet the credit requirements, the bank may negotiate the draft. This bank, if other than the issuing bank, then sends the documents and the draft to the issuing bank. As usual, reimbursement will be obtained in the pre-agreed manner.

3.2.3 Payment of L/C:

Usually L/C payments are made under 4 separate arrangements:

- **At Sight Basis:**

Under this system. If negotiating Bank found that the negotiating Shipping documents are in order than they debit the NOSTRO A/C of the Applicant Bank immediately.

- **Collection Basis:**

Under this system, Negotiating Bank seeks our acceptance to settle the particular Claim. Merely when any discrepancy is existed in the Negotiating Shipping document, then they add a clause in their forwarding schedule that if accepted, then authorized to claim reimbursement and also mentioned the discrepancy in the last line of the said letter.

- **Upon Basis:**


Under this system, settlement of Claim is totally depends upon the importer's acceptance. This system is applicable where there is a rapport relationship between Applicant & Beneficiary. In this case, the supplier sent the shipping documents through negotiating Bank to the issuing Bank, the issuing Bank informs the importer. If the importer accepts the said document then issuing Bank duly informs negotiating Bank to settle the supplier claim. Under this system Reimbursing Bank clause is not applicable.

➤ **Deferred Payment:**

L/C payment will be settled after the duration mentioned in the L/C. the duration will have to strictly follow the Bangladesh Bank Guideline. After settlement of claim, Applicant Bank should has to submit various statement to the Bangladesh Bank time to time.

➤ **Collection of Bill of Entry:**

After receiving of the imported goods, it is responsibility of the importer to deposits Bill of Entry immediate after import and Applicant Bank should has to submit it Bangladesh Bank within 120 days.



**Import Operation of
Bank Asia Ltd.**

3.3 Import Business of Bank Asia Ltd.:

Bangladesh is one of the most Import dependent country in the world. Importers of goods in Bangladesh is regulated by the Ministry of Commerce in terms of the Import and Export act 1950, various import policy order and also public notices issued from time to time by the office of the chief controller of import and export (CCI&E).

International Business, merely Import & Export are conducted by three means, such as:

- 1. Advance T.T.**
- 2. Sales Contract**
- 3. Letter of Credit (L/C)**

Out of the said three means, buyers & sellers of international arena are felt secured to deal with L/C.

3.3.1 Import Procedure:

To import through Bank Asia, a customer requires-

- Bank account
- Import Registration Certificate (IRC)
- Tax Paying Identification Number
- Proforma Invoice Indent

- Membership Certificate
- LCA (Letter of Credit Authorization) form duly attested
- One set of IMP Form
- Insurance Cover note with money receipt

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.

- Is to make a payment to or to the order of a third party (the beneficiary), or is to accept and pay bills of exchange (Drafts) drawn by the Beneficiary,
- Authorizes another bank to effect such payment, or to accept and pay such bills of exchange (Drafts),

From the above definition it can be said that letter of credit is Bank’s written undertaking given to exporter, for payment of certain type of money on behalf of the importer for delivery of particular goods by the beneficiary to the applicant.

3.3.2 Why Bank Is Involve In L/C:

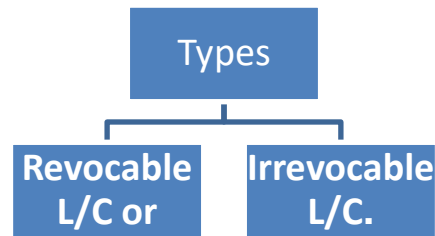
The following are the prime reasons for involving Bank in L/C transaction:

For Expediting the International Business.

- To act as a media between Applicant & Beneficiary.
- To secure the Beneficiary’s payment.
- To protect Money laundering.
- To compliance with law’s of international, importer & Exporter’s Rules & regulation

3.3.3 Types Of L/C:

Documentary Credits may be either:



- **Revocable Credit:** A revocable credit is a credit, which can be amended or cancelled by the issuing bank at any time without prior notice to the seller.
- **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 terms and conditions are satisfied by the seller. An irrevocable credit can be either confirmed or unconfirmed depending on the desire of the seller. This sort of credit is always preferred to revocable letter of credit.

Sometimes, Letter of credits are marked as either ‘with recourse to drawer’ or ‘without recourse to drawer’.

3.3.4 Parties To Letter Of Credit

- **Opening/ issuing bank:**

The bank that issued the L/C and makes the payments after receiving all the documents. This bank maintains the correspondence with all the other involved banks and parties too. It is also called the importer’s/ buyer’s bank.

- **Confirming bank:**

A bank which adds its confirmation to the credit and it is done at the request of the issuing bank. The confirming bank may or may not be the advising bank. If the Advising Bank also adds its own undertaking to honor the credit while advising the same to the beneficiary, he becomes the Confirming Bank, in addition, becomes liable to pay for documents in conformity with the L/C’s terms and conditions.

- **Exporter/seller/beneficiary:**

This party is the beneficiary from whom the imported items are acquired and to whom the payments will be made to, after fulfilling the necessary requirements. Exporter is the party in whose favor the L/C is established.

➤ **Applicant:**

The person who request/instructs the opening bank to open a L/C. he is also known as importer/buyer/consignee. An importer imports goods from the exporter abroad. Also known as the applicant who initially applies for the L/C.

➤ **Advising/notifying bank:**

It is the bank (Normally the exporter's bank), which is usually the foreign correspondent of Importer's bank through which the L/C is advised to the supplier. If the intermediary bank simply advises/notifies the L/C to the exporter without any obligation on its part, it is called "Advising Bank". It is a bank situated usually in the exporting country and it may be a branch of the opening bank or a correspondent bank. It may also assume the role of confirming and/or negotiating bank depending upon the conditions of the credit.

➤ **Negotiating bank:**

The Bank that negotiates the bill of exporter drawn under the credit is known as Negotiating Bank. It has to carefully scrutinize the documentary credit before negotiation in order to see whether the documents apparently are in order or not. The advising bank and the negotiating bank may or may not be the same. If the advising bank is also authorized to negotiate the bill drawn by the exporter, he becomes the Negotiating Bank. Sometimes it can also be the confirming bank.

➤ **Paying/accepting bank:**

A Bank that accepts time or unasked drafts on behalf of the importer is called an Accepting Bank. The Issuing Bank can also be the Accepting Bank. It is the bank on whom the bill will be drawn (as per conditions of the credit). It is nominated in the credit to make payments against stipulated documents complying with the terms of the credit.

➤ **Reimbursing bank:**

This is the bank with whom we maintain a Nostro Account and from which the issuing bank will advice to make the payment to the beneficiary's bank. The issuing bank can give the reimbursement bank, "Reimbursement Authority" to pay, accept draft or negotiate as the case may be by debiting our Nostro Account to make the payment to the negotiating bank.

➤ **Transferring bank:**

the bank which will transfer the L/C being instructed by the original beneficiary.

Details regarding the rights and obligations of the different parties involved in the documentary credit operations may be had from UCPDC, 500.

3.3.5 Terms of Payment Of L/C:

• At Sight:	It means that L/C value is payable on presentation Of stipulated documents.
-------------	--

- At 60/90/180/360 days L/C or Deferred Payment L/C.ght:

It means that L/C value is payable after 60/90/180 or 360 days on receipt of documents by the Issuing Bank. These types of L/Cs are commonly known as u

3.3.6 L/C Execution:

The whole process of L/C execution can be divided into three basic processes. These are given below:

1. Conveyance of L/C	a. Pro-forma Invoice
	b. Opening of L/C
	c. Communication between Issuing and Advising Bank.
	d. Contact between Advising and Exporter.
2. Shipment of goods.	
3. Payment Mechanism	a. Notification by Beneficiary Bank.
	b. Making payment.

Now these procedures are given below through an example, which may help to reveal facts in a much proper way:

Conveyance of L/C:

Under this step the L/C is opened and then it is conveyed form the importer to the exporter. Basically this process with the whole documentation of L/C. it consists of four major parts. These are given below:

➤ **Pro-forma Invoice/ Indent:**

Buyer/ importer becomes interested in importing goods or services from the exporter after receiving his (exporter's) price quotation. This type of price quotation is available usually in websites, magazines or any indenting firms. Based on the price quotation, importer sends a letter declaring his interest on type of product, price, quality and other conditions. If the exporter accepts this letter then this is known as "Pro-Forma Invoice". This procedure is known as "Indent" when it is done through the help of any indenting intermediary firm.

➤ **Opening of L/C:**

In this step the importer opens an L/C account with a bank. This bank of the importer is also known as the Issuing Bank. In our example the issuing bank is Bank Asia Limited. For opening any L/C account any bank usually considers the following conditions:

- The customer must have an account with the bank and the bank should have a good perception about his potential payment capacity.
- Tax Identification Number (TIN)
- VAT Certificate
- Import Registration Certificate (IRC)
- The customer who opens the L/C should be a firm.

➤ **Communication between Issuing and Advising Bank:**

In this step the Issuing Bank communicates with the Advising Bank. An advising bank is usually a large bank, which has affiliation with the Issuing Bank. In the example the advising bank is American Express Bank. In this example Bank Asia sends the details of the L/C opening customer, Pro-forma invoice along with their own acceptance.

➤ **Contact between Advising Bank and Exporter:**

After receiving information from issuing bank, the advising bank makes contact with the exporter and informs that the advising bank has received an L/C in favor of the exporter for the export amount. The advising bank also assures that if any party fails to pay, the advising bank will take the responsibility of paying the exporter. The advising bank sends the exporter with all details for the particular contact with the importer with proper identification of importer, goods, price of the goods and other relevant details

The whole process of conveyance of L/C is given graphically below:

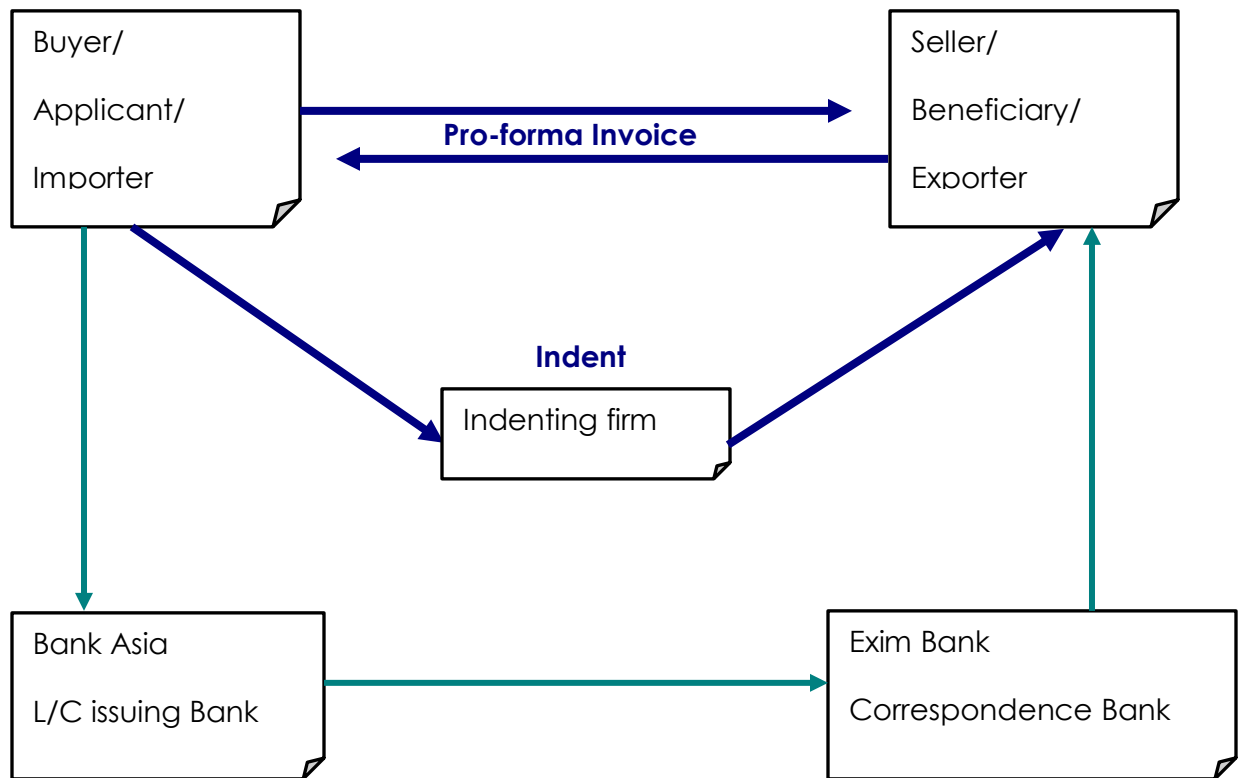


Fig 1: Flow chart of L/C Transaction

Shipment/ Transportation of goods:

After having the assurance, the exporter takes the initiative to fulfill the contract. In this period the exporter can take loans or other financial helps from the bank to meet the expenses of raw materials, processing and other productive purposes. When the product is manufactured according to the contract then the exporter sends the goods to the shipping company for transportation. After the goods are properly shipped the documents are transferred to the beneficiary / exporter's bank. In our example, the exporter's bank is Baltimore Bank.

documents are transferred to the beneficiary / exporter's bank. In our example, the exporter's bank is Baltimore Bank.

Payment Mechanism:

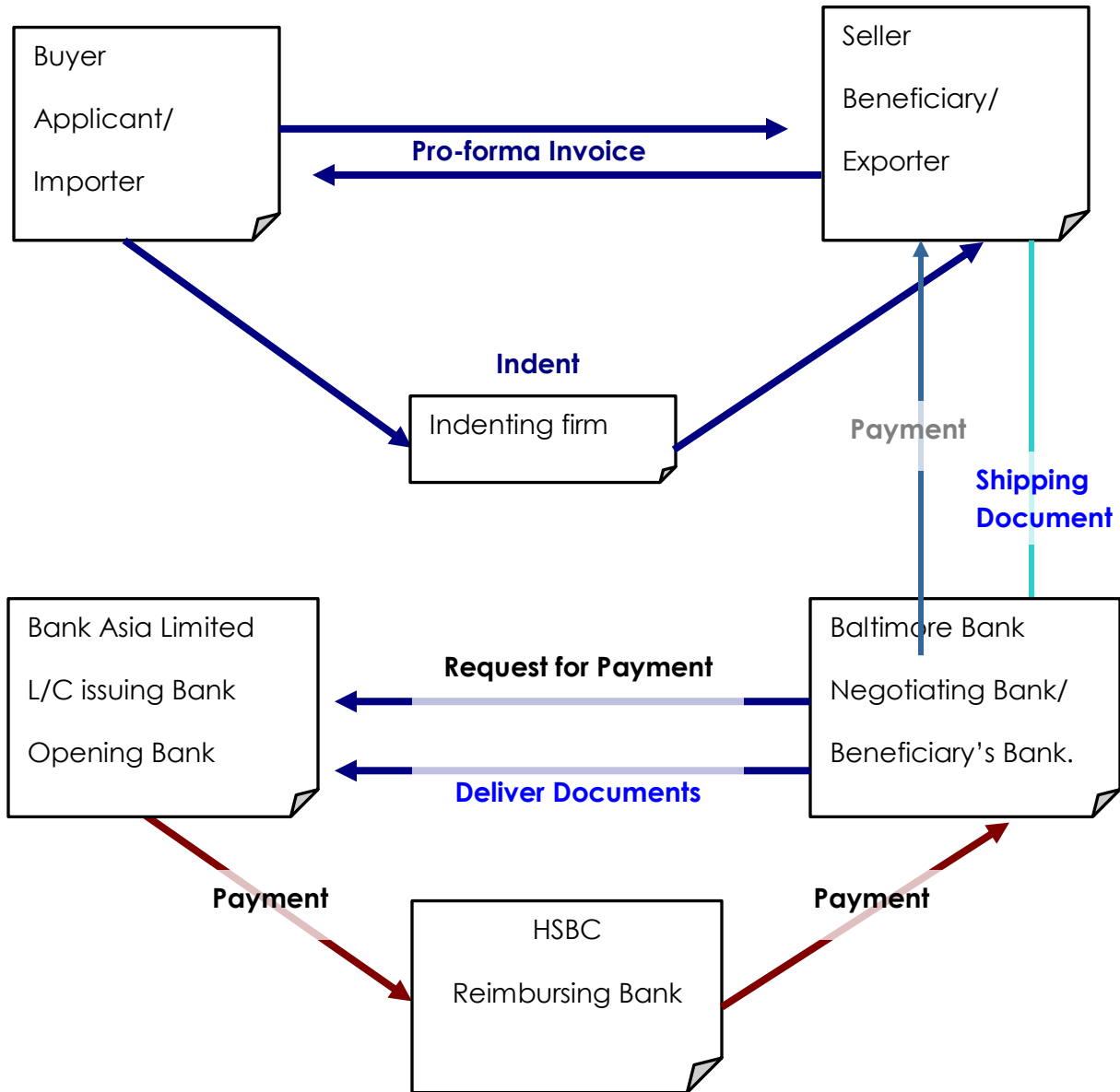
In this level the payment for the L/C is made. The process is described below:

- **Notification by beneficiary:**

When exporter submits the shipping documents, the Beneficiary Bank will notify Bank Asia that it has received the documents and will request him to make payment. In some special case the Baltimore Bank may deliver the documents to Bank Asia along with the notification.

- **Making payment:**

After the notification Bank Asia will make payment to a reimbursement bank, here the reimbursement bank HSBC Bank. After Bank Asia makes the payment it will pay the amount Baltimore Bank



Payment mechanism

Export Operation of Bank Asia Ltd.

3.4 Export Business of Bank Asia Ltd.:

Export bring the foreign currency in the economy. Higher the export higher the reserve of foreign currency. Actually export refers that selling domestic product to other countries for financial benefits then it will be treated as export. The export sanction of National Bank is engaged with various export related activities for encouraging the exporter. Bangladesh earns foreign currency about 75% from garments industry and 24% from others.

For Export

- Export Registration Certificate (ERC) from CCI & E.
- LC Documents.
- E X P from duly signed by the exporter.
- Certificate of origin.
- Shipping documents.
- Inspection Certificate

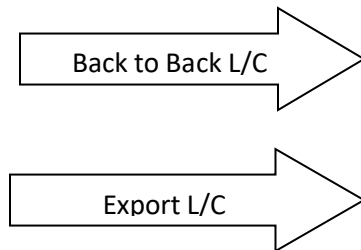
3.4.1 Functions Of Export Department:

- Scrutiny of Export Shipping Documents.
- Follow-up for realization of Export Proceeds.
- All Correspondence relating to Export Department.
- Compliance of Audit & Inspection.
- Advising of Export L/Cs to the beneficiary.
- Authentication of L/C and Amendments from other Correspondent Bank.
- Transfer of Export L/C to the 2nd Beneficiary & issuance of notice of transfer to L/C issuing Bank.
- Recording of Export L/C particulars in Export L/C Transfer Register.
- Realization of transfer changes.
- Issuance of proceeds realization certificates.
- And other works as & when directed by the manager and Sub-Manager.
- Certificate of EXP Forms.
- Posting of Tickets.
- Lodgment of Export Bills (FBP, FDBC, IBP & IBC).
- Preparation of tickets relating to negotiation of documents.
- Negotiation of Inland Bills.

- Maintenance of all records related to FBP, FDBC and Inland Bills.
- Balancing of FBP, FDBC, and IPB & A/R Export A/Cs.
- Preparation of statement and all returns to Bangladesh Bank and Head Office (Weekly/ Monthly/ quarterly)

3.4.2 Types of L/Cs Issued By Export Department:

In the Export section, two types of L/C s are opened-



Back-to-Back L/C:

Back to Back letter of credit may be defined as a credit which is opened at the instruction and request of the beneficiary of the original Export L/C on the basis of strength of that L/C. Ready-made garment industries and specialized textile units are allowed the facility of importing fabrics and other materials needed for manufacture of garments/ specialized textiles against back to back L/C arrangement. Back-to-Back L/C is of two types.

- Foreign back letter of credit
- Inland back-to-back letter of credit

A back-to-back L/C is opened against an irrevocable L/C opened bank having reasonable period of validity to cover shipment of merchandise after completion of validity to cover shipment of merchandise after completion of the manufacturing process. The export L/C is lien marked with the back-to-back L/C issuing branch. Import L/C is opened on issuance basis covering usance of not more than 180 days. The import L/C is opened for 75%-85% of the value of Export L/C. the payment is normally made form the proceeds of export bills negotiated after shipment.

Procedure of Opening Back-to-Back L/C:

The following papers/documents are required to submit by the exporter to the bank for opening foreign back-to-back L/C.

- L/C Authorization forms duly filled and signed. (See Appendix B)
- Indent/ pro forma invoice
- Imp-form.

Along with the above papers / documents, original export L/C is to be submitted by the exporter. On receipt of these documents the bank scrutinizes the terms and conditions of the export L/C. after getting approval from head office through Credit Section, The particulars of the L/C are entered in the L/C opening register.

Payment of Back-to-Back L/C:

In case back to back as 60-90-120-180 days of maturity period, deferred Payment is made. Payment is given after realizing export proceeds from the L/C issuing bank.

Export L/C:

The other type of L/C facility offered by BA is Export L/C. Bangladesh exports a large quantity of goods and services to foreign households. Readymade textile garments (both knitted and woven), Jute, Jute-made products, frozen shrimps, tea are the main goods that Bangladeshi exporters exports 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 garment products to U.S.A and European Community (EC) countries. Bangladesh exports about 40% of its readymade garment products to U.S.A. Most of the exporters who export through BA are readymade garment exporters. They open export L/Cs here to export their goods, which they open against the import L/Cs opened by their foreign importers.

3.4.3 Formalities For Export L/C:

The export trade of the country is regulated by the Imports and Exports (control) Act, 1950. 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,

➤ ERC:

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

➤ Obtaining EXP:

After having the registration, the exporter applies to the Bank with the trade license, ERC, and the Certificate from the concerned Government Organization to get EXP. If the bank is satisfied, an EXP is issued to the exporter.

➤ **Securing the Order:**

Upon registration, the exporter may proceed to secure the export order. Contracting the buyers directly through correspondence can do this.

➤ **Signing of the Contract:**

While making a contract, the following points are to be mentioned:

- Description of the goods
- Quantity of the commodity
- Price of the commodity
- Shipment
- Insurance and marks
- Inspection
- Arbitration

The following points are to be looked for,

- The terms of the L/C are in conformity with those of the contract.
- The L/C is an irrevocable one, preferably confirmed by the advising bank.
- The L/C allows sufficient time for shipment and a reasonable time for registration.
- 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.

➤ **Procuring the Materials:**

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

➤ **Registration of Sale:**

This is needed when the items proposed to be exported are raw jute and jute goods.

➤ **Shipment of Goods:**

The following are the documents normally involved at the stage of shipment,

- Arbitration
- EXP Form
- Photocopy of registration certificate
- Photocopy of the contract
- Photocopy of the L/C
- Customs copy of ERF Form for shipment of jute goods and EPC Form for raw jute.
- Freight certificate from the bank in case of payment of the freight at the port of lading is involved.
- Railway receipt, Berg Receipt or Truck Receipt.

- Shipping instructions.
- Insurance policy.

After those, exporter submits all these documents along with a Letter of Indemnity to BA for negotiation. An officer scrutinizes all the documents. If the document is a clean one, BA purchases the documents on the basis of banker- customer relationship. This is known as Foreign Documentary Bill Purchase (FDBP).

A FDBP Register is maintained for recording all the particulars. The salient contents of a FDBP register are Date, Ref. No. (FDBP), Name of the Party (Drawer), Drawee, Name of collecting Bank, EXP Form no., Export L/C no etc.

➤ **FDBC:**

The bank forwards the documents for collection due to the following reasons,

- If the documents have discrepancies.
- If the exporter is a new client.
- The banker is in doubt.

Foreign documentary bills for collection (FDBC) signify that the exporter will receive payment only when the issuing bank gives payment. The exporter submits duplicate EXP Form and Commercial Invoice

➤ **Export bill scrutiny sheet:**

By the Export Bill Scrutiny Sheet the bankers scrutinize the details of a L/C before make the payment. Here the details refer as Exporter's name, Presentation date of documents, L/C no., Expiry date, L/C amount available. Moreover the banker also look after the date within which the documents to be presented, Bill of lading, Shipment date in the L/C, Invoice number and date, Export L/C no, date, issued by, Liability position, Discrepancies, and Calculation of Bill amount (Exporter's Retention Quota, Commission, and Margin)

Settlement of Local Bills:

- Settlement of local bills is done in the following ways,
- The customer submits the L/C to BA along with the documents to negotiate.
- Bank official scrutinizes the documents to ensure the conformity with the terms and conditions.
- The documents are then forwarded to the L/C opening bank.
- The L/C issuing bank gives the acceptance and forwards an acceptance letter.

- Payment is given to the customer on either by collection basis or by purchasing the document.

A LDBP (Local Documentary Bills Purchase) register is maintained to record the acceptance of the issuing bank. Until the acceptance is obtained, the record is kept in a collection register.

3.4.4 Mode of Payment of Export Bills Under L/C

The most common methods of payment under a L/C are as follows, -

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

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

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 Bank Asia, 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 is the exchange trading for the branch.

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.

3.4.5 Reporting To Bangladesh Bank:

As per Bangladesh Bank regulation every bank has to send statement regarding foreign trade in daily/weekly/monthly/quarterly/half yearly/yearly. In fact branches send statements showing the export-import scenario to Corporate Office then it is the responsibility of the Corporate Office to consolidate all the branches statements and send it to Bangladesh Bank.

At the end of every month, the reporting regarding the following information is mandatory:

- Filling of E-2/P-2 schedule of S-1 category; which covers the entire month amount of import, category of goods, currency, country etc.
- Filling of E-3/P-3 schedule for all charges, commission with T/M form.
- Disposal of IMP form, which includes,
- Original IMP is forwarded to Bangladesh Bank with invoice and Indent.
- Duplicate IMP is kept with the Bank along with the bill of entry/ Certified Invoice.
- Triplicate IMP is kept with the Bank for office record.
- Quadruplicate is kept for submission to Bangladesh Bank in case of imports where documents are retired.

3.4.6 Earnings From Foreign Trade Department

In foreign trade media of transaction is foreign exchange so exchange gain is the main source of revenue of this department. Other than this while playing the role of an **issuing bank**, Bank Asia earns revenue from the applicant in the following sources:

- Commission from 0.3% to 0.5%.
- Telex charge
- Interest charge if any loan facility is provided.

In case Bank Asia acts as **advising bank** it receives certain amount of commission from the Beneficiary.

- If the beneficiary is a client of Bank Asia then the commission will be 1000/-.
- If the client doesn't hold an account relationship with Bank Asia then the charge will be 1500/-.

When Bank Asia acts as an **exporter bank** it receives following charges from the beneficiary

- Commission of .2% or 1000/- whichever is higher.
- Courier or Telex charge.

In case of any **amendment** Bank Asia charges extra commissions;

- Amendment charge tk.500/- in case of inland L/C & tk.1000/- in case of foreign L/C as tk.500/- extra will be taken for SWIFT charge.

Postage charge tk.20/- only in case of inland L/

Remittance Management

3.5 Remittance Department:

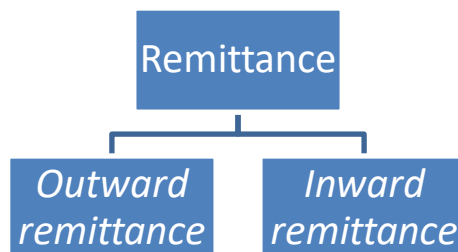
Bank Asia Ltd. provides facilities to transfer fund from one country to another country which is known as foreign remittance. Only authorized dealer (AD) branches of the bank are allowed to provide foreign remittance services. Without this license the respective branch will not be able to do any activity with other countries. People holding foreign currency accounts (both resident and non-resident) will be able to do banking through the facilities of the authorized dealer bank branch. Bank Asia Ltd. acts as both remitting bank (Who is sending remittance) and beneficiary bank (who receives remittance) as per the customer's service requirement.

3.5.1 Instruments of Foreign Remittance:

- Foreign Draft- this is a demand draft denominated in foreign currency.
- Travelers cheque
- Telegraphic Transfer(TT)

3.5.2 Types of Remittance Transaction:

Two types of remittance transaction is dealt by Bank Asia;



Outward Remittances:

Usually people traveling and studying in abroad require foreign currency. Bank Asia provides both cash foreign currency and Traveler's Cheque (T.C.).

There are some common documentation incase of outward remittance in the form of cash and TC.

- Filling up T/M (Travel & Miscellaneous) form by the customer with sign.

- Valid passport.
- Confirm ticket
- Visa page

Remittance department has to comply with the Central banks regulation regarding sending remittance outside of the country. Such as Central bank has set up a limit of carrying USD per person- per year. Which is \$1000 for adults to travel within SARCC countries and \$ 500 for children again except SARCC country this amount is \$ 3000 for adults and \$1500 for children.

By another act of Bangladesh bank; if any customer requires USD amounting more than two thousand he/she has to fill up a “C” form. In which his/her particular reason for asking more USD is mentioned. Bank can issue excess USD after the approval given by Bangladesh Bank.

Generally people ask for demand draft for immigration processing fees or foreign university admission fees. Documentation incase of Foreign Demand Draft:

- Copy of valid passport
- Immigration processing papers.
- If the customer is processing through any agency, a letter from that agency is required.
- Filling up T/M form.

Bank Asia provides demand draft service in three major currencies those are **USD, CAD & GBP.**

Inward Remittance:

Bank Asia receives inward remittance from different sources, those are

- Wage Earners remittance
- Foreign grant
- Client’s commission or consultancy fees.

In case of inward remittance bank receives commission in foreign currency

3.5.3 Earnings From Foreign Remittance Department:

In any sorts of foreign remittance transaction branch’s benefit is the exchange gain. Such as in case of issuing demand draft in foreign currency;

Branch’s exchange gain = Customer’s payment at TT/OD selling rate – payment to corporate office at mid rate.

On the other hand in case of inward remittance exchange gains are earned as follows;

Branch's exchange gain = payment to customer's at TT clean rate for buying foreign remittance
– payment to head office at Mid rate.

This spread differs instruments to instruments based on commercial interest charge, handling and communication charge.

Performance Evaluation Of The Foreign Exchange Operation

Five Years Performance Of The Foreign Exchange Operation Basically Import, Export, And Remittance Of Bank Asia Limited Are Given Below.

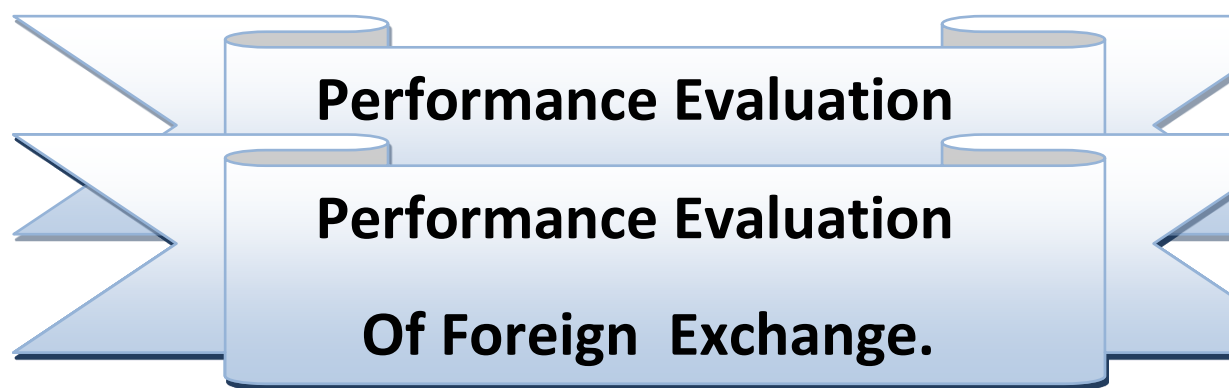
4.1 Import Performance Analysis:

Table: 4.1
Table with import and growth rate

Year	Import(MillionTk)	Import (US dollar)	Growth
2010	9143.50	134.46	-
2011	10210.32	145.86	11.67%
2012	14290.60	188.03	39.96%
2013	9117.60	113.97	-36.20%
2014 up to April	3563.50	61.63	17.25%

Source: Financial highlight of Bank Asia Ltd, Agrabad Branch (2010-2014 up to April)

The table illustrates total import of the Bank Asia agrabad branch both in taka and us dollar (in million) from 2010 to 2014 up to April. On the basis of the above table it presents the highest import is in the year 2012 at tk. (million) 14290.60 and the lowest import in the year 2013 at tk. (million) 9117.60. There is an increasing rate of import from 2010 to 2012 but in 2013 it becomes decrease.



Graph; 4.1

Growth percentage of Import of Agrabad Branch.

**Performance Evaluation
Of Foreign Exchange.**

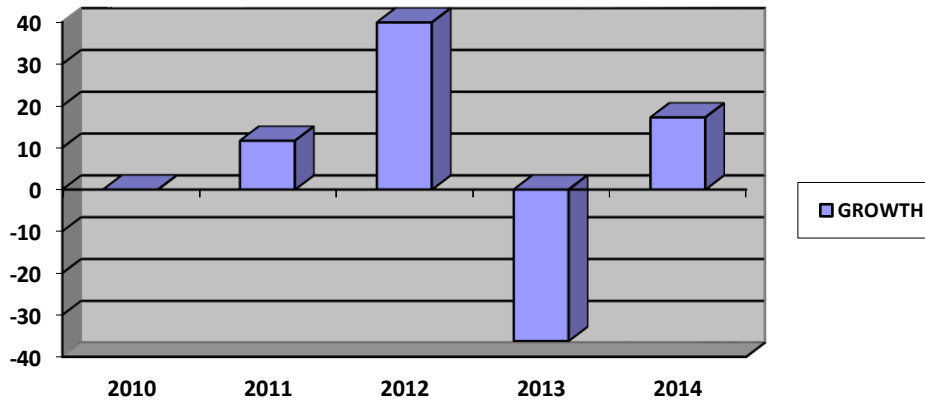


Figure: growth percentage of import

From the graphical description of the table data, it shows that the highest (39.96%) growth percentage change occurred in 2012. The worst change or negative change is noticeable in year 2013 which rate is (-36.20%). This year could not hold the drastic upward trend experienced in 2012. As a result, the percentage change is negative. In 2014 the negative growth percentage is so high because it is only for four months (up to April)

Table: 4.2

Product wise import performance

The following table shows different types of product that are imported by the Bank Asia Ltd.

<i>Products</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014(APRIL)</i>
	%	%	%	%	%
Industrial materials	55	48	50	50	60
Textile	10	14	10	10	13
Capital machinery	7	4	5	5	6
Scrap vessel	21	20	25	20	12
Other	7	14	10	10	11

Source: financial summary of Bank Asia Ltd.

The table shows different types of product that imported by the Bank Asia Ltd. from 2010 to 2014. It is notable here industrial materials, textile, and scrap vessel is ported at the same range from year to year.

Graph: 4.2

The percentage of product wise imported items are in graph.

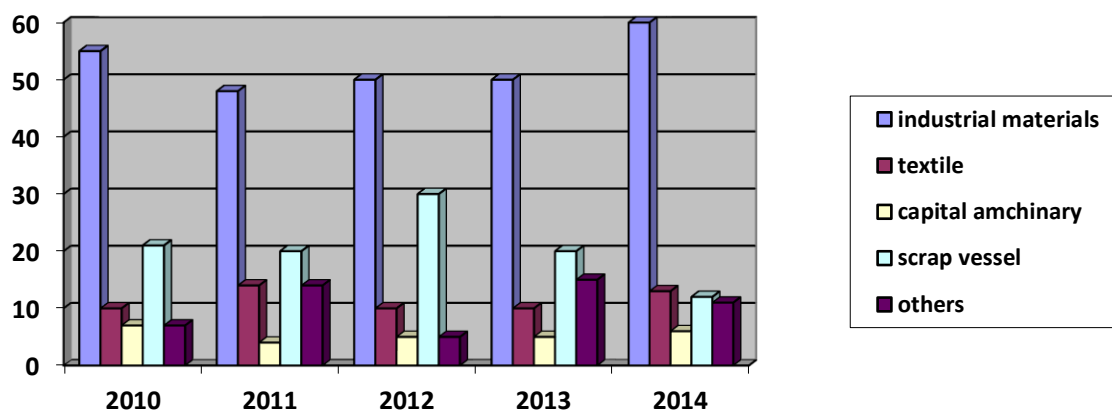


Figure: product imported by Bank Asia Limited

The graph indicates five years percentage of product that is imported by the Bank Asia Ltd. from 2010 to 2014. Industrial materials are in the highest position 60% in 2014 whereas others (consumption product) are the lowest in the graph.

4.2. Export Performance Analysis:

Table: 4.2.1

Table with export and growth rate

Year	Export(Million tk)	Export(USD)	Growth
------	--------------------	-------------	--------

2010	12089.80	177.79	-
2011	12357.10	176.53	2.21%
2012	17078.50	227.71	38.20%
2013	16160.50	202.01	-5.37%
2014 up to April	4807.50	44.54	-10.75%

Source: Financial highlight of Bank Asia Ltd, Agrabad Branch (2010-2014 up to April)

The table presents total export of the Bank Asia agrabad branch both in taka and US dollar (in million) from 2010 to 2014 up to April. On the basis of the above table describes the highest export is in the year 2012 at tk. (million) 17078.50 and the lowest export in the year 2010 at tk. (million) 12089.80. There is an increasing rate of export from 2010 to 2012 but in 2013 it becomes decrease

Graphp: 4.2.1

Growth percentage Export of Bank Asia Agrabad Branch .

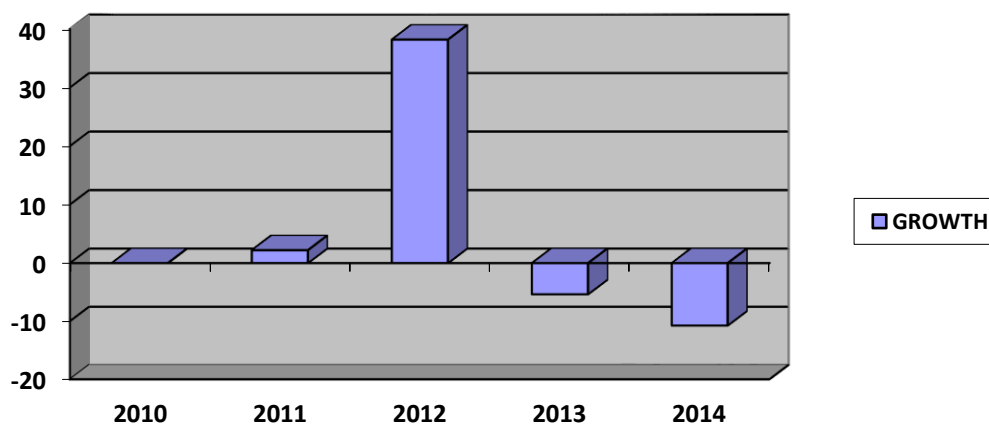


Figure: growth percentage of export

From the above description of the table shows that the highest (38.20%) growth percentage changes occurred in 2012. The worst change or negative change is in year 2013 & 2014 because it was only four months (up to April) which rate is (-5.37% & -10.75%).

Table: 4.2.2
Country wise Export performance.

YEAR	CHINA	HONKONG	MALAYSIA	USA	UK
2010	688.43	293.60	205.47	60.66	41.23
2011	579.85	216.8	158.14	63.26	42.17
2012	801.5	320.60	240.45	160.30	80.15
2013	1259.06	343.38	457.84	228.92	114.46
2014 (up to April)	277.40	97.86	88.50	43.77	23.16

From the above table it indicates that country wise export from 2011 to 2013 respectively. The highest export is in china (579.85, 801.5, 1259.06, and 2640.41 respectively) among the five countries in every year where lowest export is in UK in 2011 (42.17 million tk)

Graph:4.2.2
Graph with country wise export

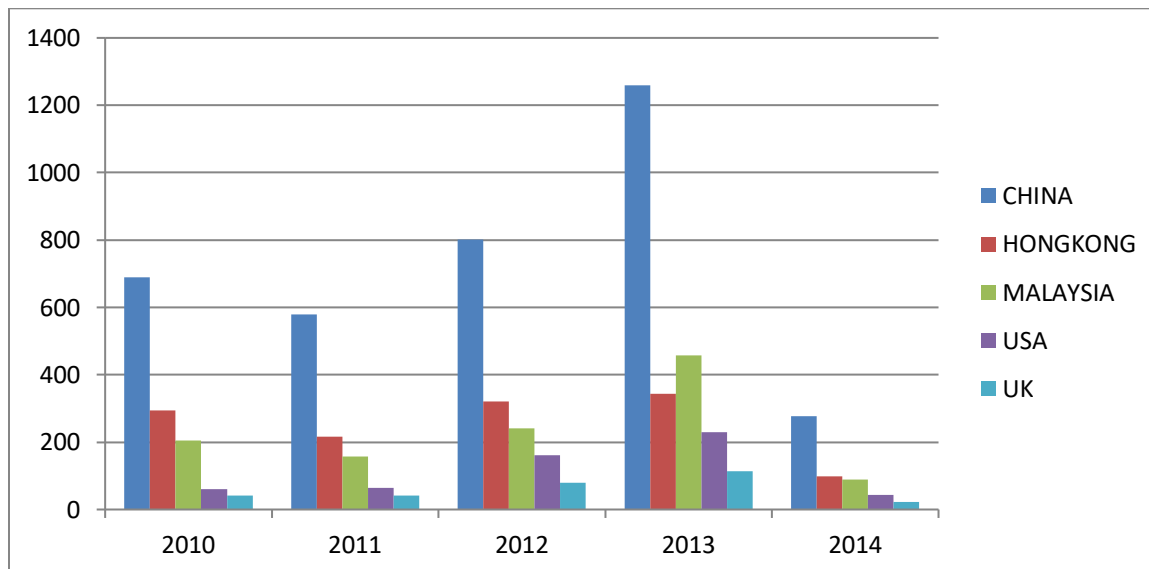


Figure: export performance among the countries

According to the graph and it represents country wise export performance from 2010 to 2014. Among the five countries china is one of the highest country in where more products are exported in every year whereas lowest product is exported to the UK.

Table: 4.2.3
Product wise export performance

<i>Products</i>	<i>2010</i>	<i>2011</i>	<i>2012</i>	<i>2013</i>	<i>2014(APRIL)</i>
	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>	<i>%</i>
RMG	90	94	93	80	92
Frozen food	5	3	4	4	2
Scrap	2	3	2	10	3
Chemical	1	-	-	2	1
Others	2	-	1	4	2

Source: financial summary of the Bank Asia Ltd.

The table represents some items that are exported by the Bank Asia Ltd. From 2010 to 2014.thre is a noticeable change in very year, RMG product is in the highest and continuous growth position except 2013.

Graph: 4.2.3.
The percent of the product wise items exported by the Bank Asia is in the graph.

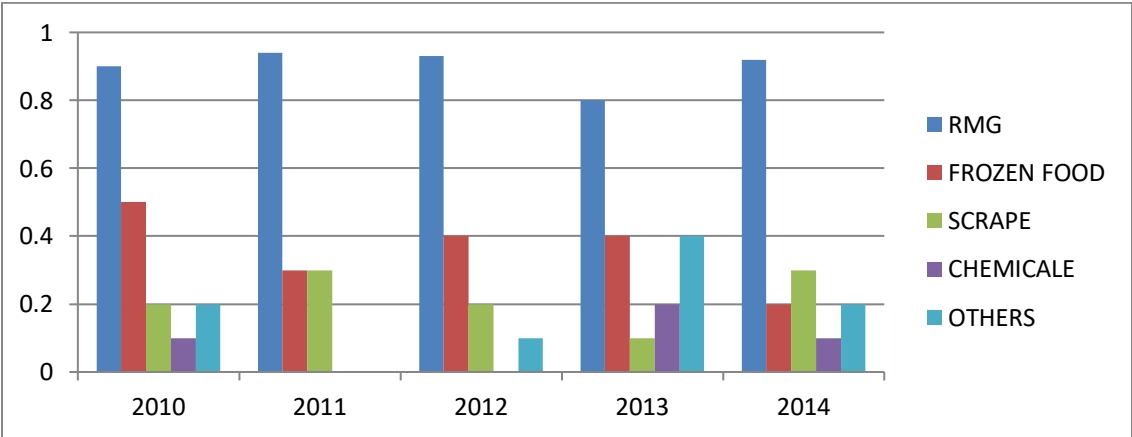


Figure: product exported by the Bank Asia Limited

Graph representing the product wise export from 2010 to 2014. There are many export items in Bangladesh among them RMG is the number one item that is exported in every year. It is seen in the above graph lowest export under agrabad branch is chemical

4.3. Remittance Analysis

Table: 4.3.1

Table with inward and outward remittance

Year	Inward Remi.(Mill. Tk)	Outward Remi.(Mill. Tk)	Growth of Inward Remi.
2010	278.10	36.08	-
2011	204.90	24.15	-26.32%
2012	183.80	72.54	-10.29%
2013	277.50	251.30	51%
2014 up to April	90.80	42.70	-1.83%

Source: Bank Asia agrabad branch

Above table implies both Inward remittance and Outward remittance from 2010 to 2014 up to April of Bank Asia agrabad branch. 2010 is the zenith year where maximum inward remittance is gained (278.10) whereas 2012 is the lowest year is obtained (183.80). While outward remittance is less than inward remittance in all the year.

Graph: 4.3.1

Inward and Out ward remittance in graph (in million taka)

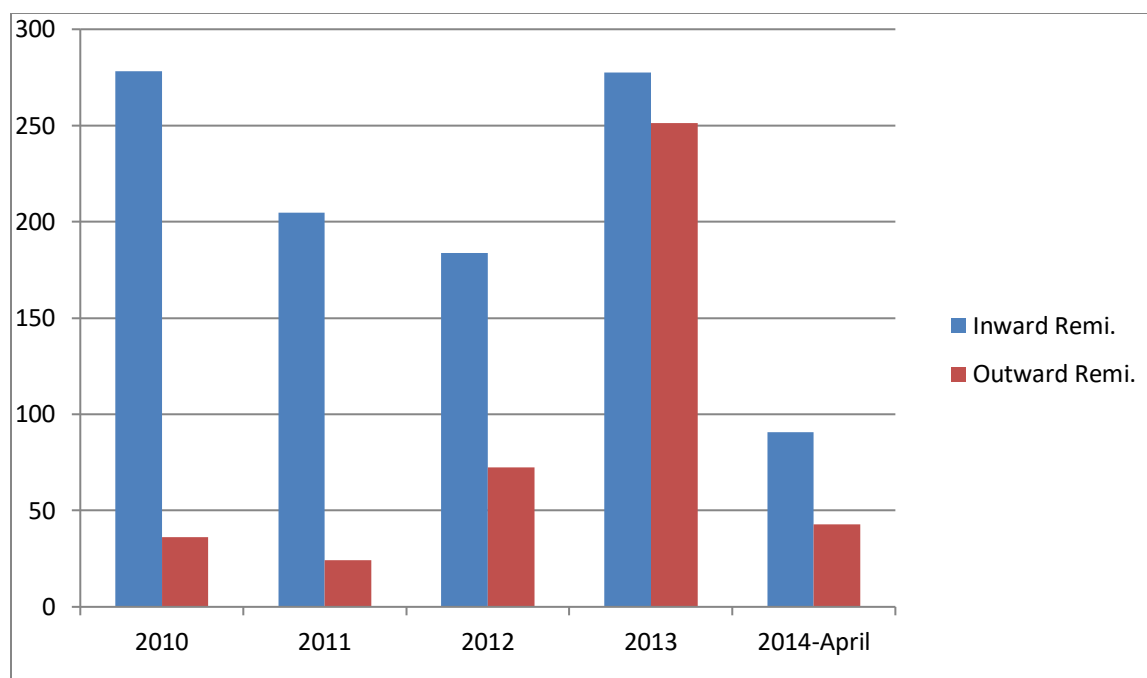


Figure: inward and outward remittance.

The graph indicates both inward and outward remittance from 2010 to 2014 up to April according to the above figure the highest inward remittance (278.10) is in 2010 and lowest inward remittance (183.80) is in 2012 whereas highest outward remittance (251.30) is in 2013 and lowest outward remittance (24.15) is in 2011 but it becomes lower than inward remittance in every years.

Table: 4.3.2:

Country wise analysis of Remittance (2010-2014)

Year	Country				
	China	UK	Italy	USA	Others
2010	6.03	3.35	1.33	0.67	2.01
2011	12.13	6.74	2.7	1.35	4.04
2012	20.82	5.56	4.63	2.31	6.94
2013	25.78	14.33	5.73	2.86	8.59
2014	4.40	2.99	2.00	0.60	1.80

Source: financial summary of Bank Asia

The shows that country wise remittance analysis among the five countries from 2010 to 2014. From the table highest remittance is come from the china and lowest remittance is come from the USA. In very year.

Graph: 4.3.2

Graph with country wise remittance

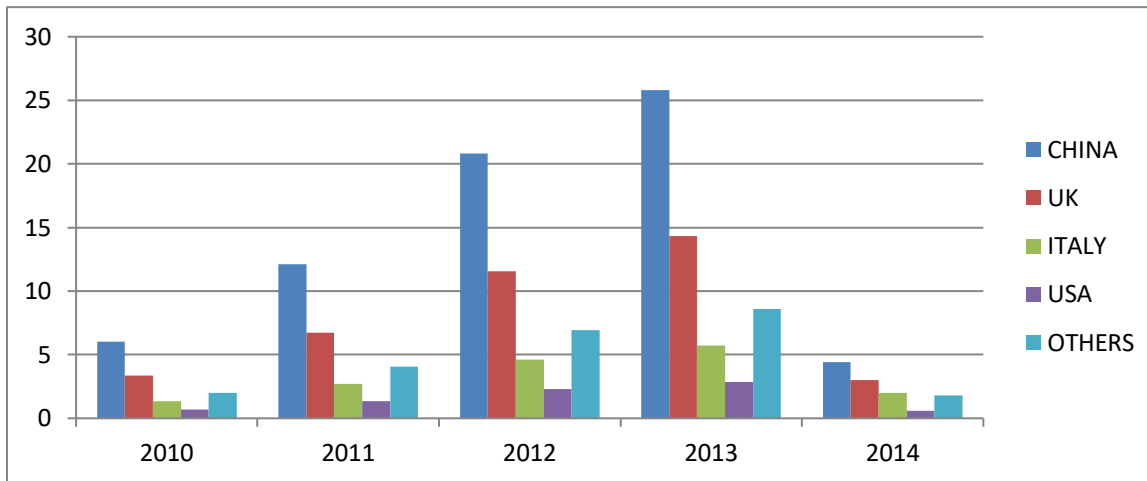


Figure: Countries wise remittance

According to graph it represent country wise remittance among the countries from 2010 to 2014 and remittance is varied year to year .here we see highest remittance is came from the china and in the year of 2013. Whereas lowest remittance (0.60) from the USA in 2010.

4.5 Contribution of Agrabad Branch To Over All Foreign Exchange

Activities Of Bank Asia In Bangladesh

Table; 4.5.1

Table with Contribution of Import (in million taka)

Year	Import(Mill. Tk.)	Total Import(Mill. Tk.)	Contribution in %
2010	9143.50	110417.89	8.28%
2011	10210.32	99414.20	10.27%
2012	14290.60	106746.15	13.38%
2013	9117.60	110738.08	8%

Source: Annual Report of Bank Asia.

The table illustrates total import of the Bank Asia Limited and the contribution of the Bank Asia Limited of agrabad branch from 2010 to 2014 up to April. On the basis of the above table it presents the highest import of the Bank Asia in 2013 amount is in million 110738.08 and the lowest import is in the year 2011 at amount 9414.20. Whereas the highest contribution of agrabad branch is in the year 2012 at tk.(million) 13.38% and the lowest contribution in the year 2013 at 8%. There is an increasing rate of import from 2010 to 2013 except 2011

Graph; 4.5.1

Import of both agrabad branch and over all Bank Asia in graph (in million taka)

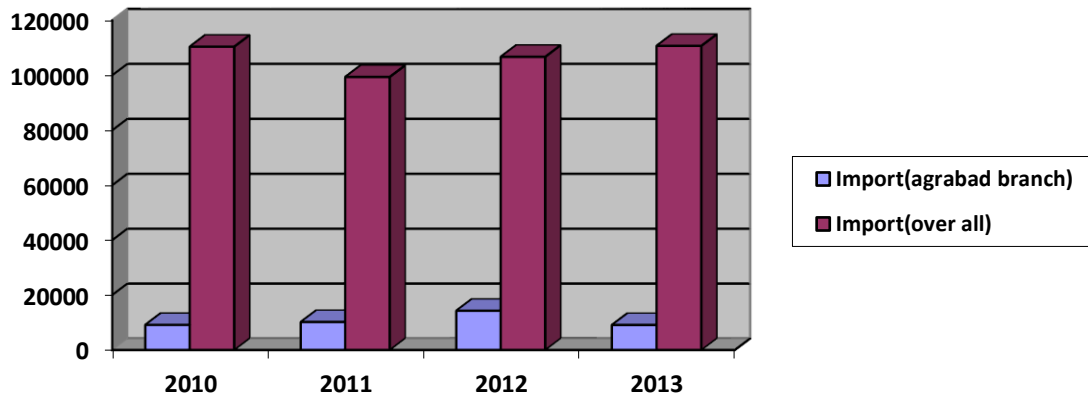


Figure: Contribution of Import

This is a graph which implies contribution of agrabad branch to the overall import of Bank Asia from 2010 to 2013. The highest contribution (14290.60) is in the 2012 but in 2013 it becomes low (9117.60).

Table: 4.5.2

Contribution of Export (in million taka)

Year	Export(Million)	Total Export(mill tk)	Contribution in %
2010	12089.80	57281.20	21.10%
2011	12357.10	74794.50	16.52%
2012	17078.50	66478.34	25.69%
2013	16160.50	71968.08	22%

Source: Annual Report of Bank Asia.

The table illustrates total export of the Bank Asia Limited and the contribution of the Bank Asia Limited of agrabad branch from 2010 to 2014 up to April. On the basis of the above

table it presents the highest export of the Bank Asia in 2011 amount is in million 74794.50 and the lowest export is in the year 2010 at amount 57281.20. Whereas the highest contribution of agrabad branch is in the year 2012 at tk.(million) 25.69% and the lowest contribution in the year 2011 at 16.52%. There is a variation of export from 2010 to 2013

Graph: 4.5.2

Export of both agrabad branch and over all Bank Asia in graph

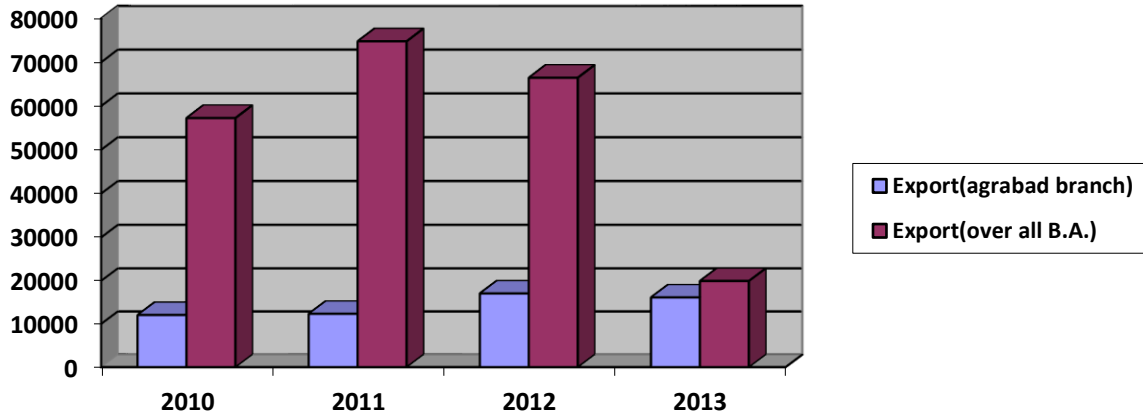


Figure: Export of agrabad branch

The column chart describes contribution margin of export to the overall export of Bank Asia from 2010 to 2013. The highest export of Bank Asia is 74794.50 in the year 2011 and contribution of agrabad branch is 16.52% whereas lowest export is 57281.20 in 2010 with contribution margin is 21.10%.

Table; 4.5.3

Contribution figure of both Import and Export of agrabad branch respectively

Year	Import(Mill. Tk.)	Contribution in %	Export(Million)	Contribution in %
2010	9143.50	8.28%	12089.80	21.10%
2011	10210.32	10.27%	12357.10	16.52%
2012	14290.60	13.38%	17078.50	25.69%

2013	9117.60	8%	16160.50	22%
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Figure: import and export with contribution percentages.

From the above table it describes both import and export with their contribution factor from 2010 to 2013 of Bank Asia agrabad branch. Highest contribution of import is in 2012 with 13.38% and lowest percent is in 2013 with 8% whereas the highest export is in 2012 with 25.69% and lowest is 16.52% .

Graph: 4.5.3

Contribution figure of both Import and Export of agrabad branch respectively in the graph

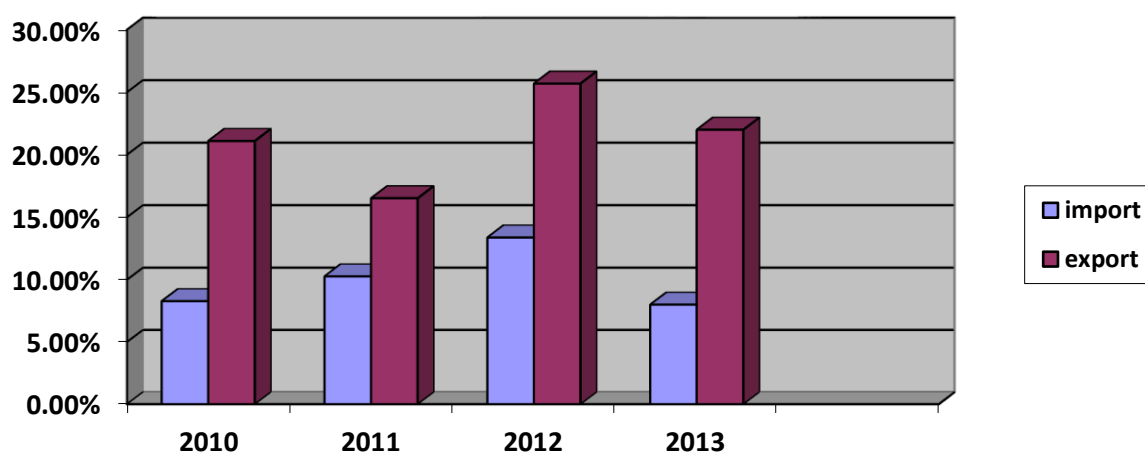


Figure: import and export of agrabad branch

According to the above graph which implies 4 years contribution figure of import and export respectively. Highest import is gained in 2012 but lowest in 2013 while the highest export is in 2012 but lowest in 2013 respectively.

Table: 4.6.1

Contribution of the Inward Remittance in table

Year	Inward Remi.(million tk)	Total Inward Remi.(million tk)	Contribution in %
2010	278.10	18441.71	1.51%
2011	204.90	21776.70	0.94%

2012	183.80	32110.10	0.57%
2013	277.50	34334.00	0.81%

Source: Annual Report of Bank Asia.

This is a table that indicates the range of inward remittance which is contributed to over all remittance of Bank Asia from 2010 to 2013. In 2010 is the highest contribution margin (1.51%) and 2012 is the lowest margin (0.57%) and respectively.

Graph: 4.6.1

Contribution of Inward Remittance in the graph (Million TK).

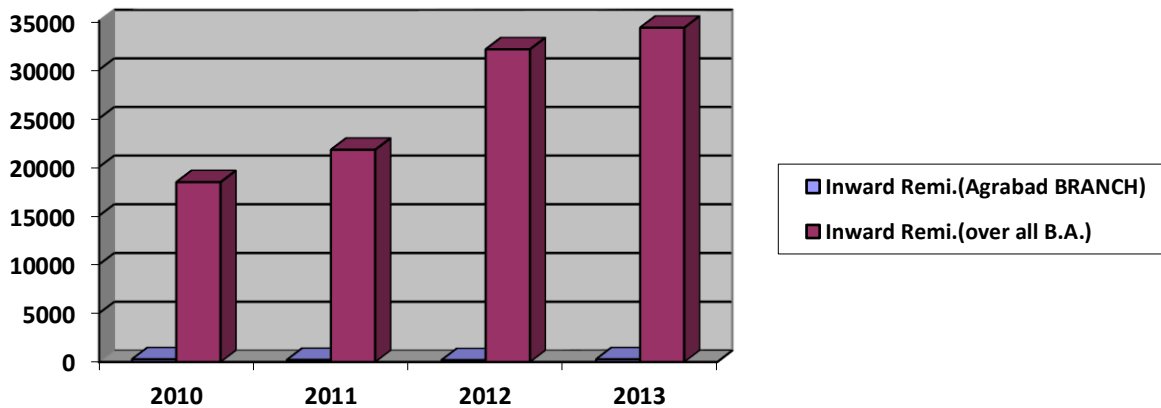


Figure: Contribution of inward remittance.

Above chart describes inward remittance of Bank Asia and contribution margin of Agrabad branch from 2010 to 2013. The highest inward of Bank Asia is 34334.00 in 2013 where Agrabad branch contributes 277.50 while the lowest inward remittance is 18441.71 in 2010 and contribution margin is 278.10 respectively.

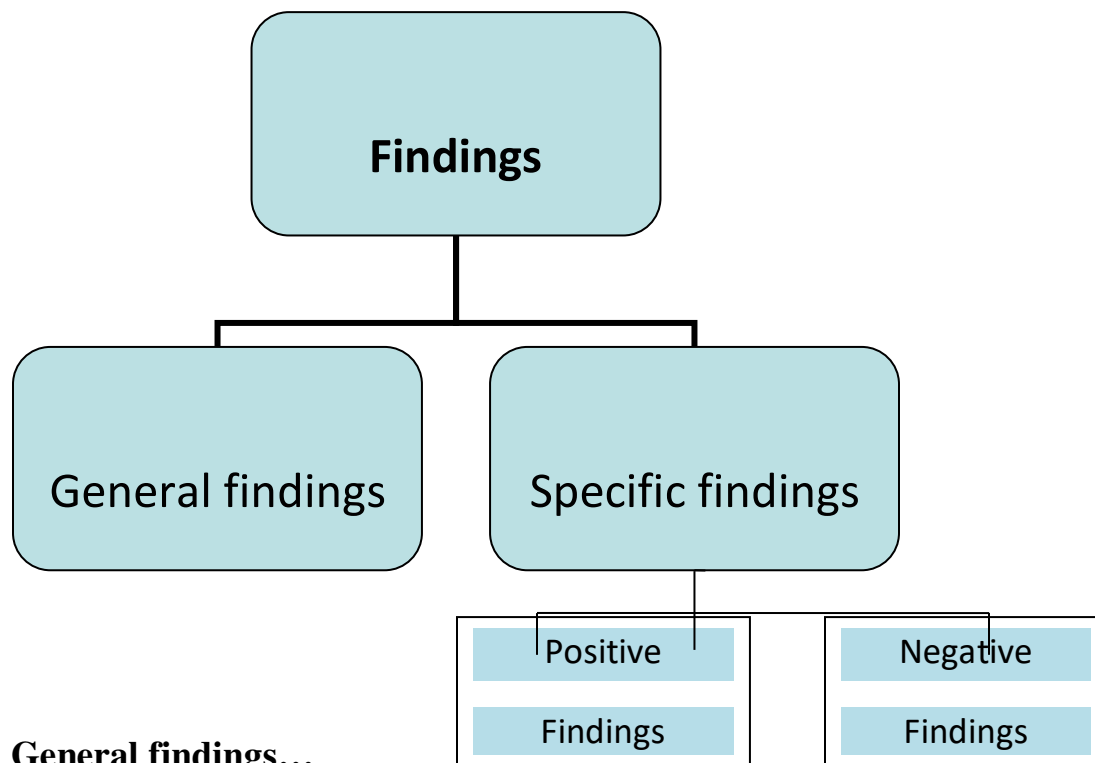
Conclusion And Recommendation

5. Impact of Foreign Trade on Economy

Foreign trade is of vital importance to the economic development of any country so as Bangladesh. The country's import needs are large and the imperative to increase exports is immediate. In order to finance those imports and also to reduce the country's dependence on foreign aid grants, the government, since liberation, has been trying to enhance foreign exchange earnings through planned and increased exports. The significance of foreign trade to the economy is manifest in a number of facts and figures.

Bangladesh economy has been growing on an average rate of 5.5% for the past few years, which is however, lower than 7%, expected to achieve the millennium development goal. Amid a band of economic parameters that act as barriers, such as narrow export base, unplanned import, small foreign exchange reserve, huge population, tiny industrial base, high inflation emanated from a politics-influenced monetary policy, pandemic corruption etc, the growth is encouraging.

5.1. Findings:



It goes without saying that ,’Internship ‘ is the 3 credit course of Bachelor of Business Administration of Department of Business Administration under Faculty of Business Administration .There are some general findings that are related to my three months internship period at Bank Asia agrabad branch. Firstly, I do not get proper help from the bank employee when needed at proper time and it seems to me due to the short internship period of time. Secondly, I have to face problem due to internet system when reporting to the Bangladesh bank.

Specific findings...

Specific finding indicates the findings that are closely related to the foreign exchange department and these are given below.

Positive Findings

Import Analysis:

- Bank Asia performance in volume of import is improving year by year. There was a gradually higher growth of import from 2010 to 2012 and contribution of agrabad branch is also positive.
- In 2010 there is the highest import of Bank Asia and the highest contribution of the Bank Asia agrabad branch is in 2012 with rate 13.38% in the total import.
- There are many items of import but among them industrial materials is highly imported in every year

Export Analysis:

- From 2010 to 2012 there was a high growth rate of Export division among them the highest export of Bank Asia is 110738.08 and the contribution of the agrabad branch is 13.38% in 2013.
- It goes without saying that, RMG is the main export item of Bangladesh. So it is the prime product of the Bank Asia to export.
- Bank Asia export many products in many countries but most of the export activities are performing with CHINA (56.66).

Foreign Remittance Analysis

- Inward remittance is the one of the source of income of the Bank Asia among the others sources. Highest remittance about 34334 million taka earn in 2013 where agrabad branch have contributed 0.81.
- Total country wise inward remittance, China acquires the largest amount was 25.78 million tk. In 2013 whereas USA holding the lowest position which amount was 0.60

million tk 2010. respectively.

- Number of export is higher than import, it's result high inflow of foreign remittance in the country, it shows positive trend of foreign transection.

Negative Findings

Import Analysis:

- Lack of loan policy the import activities are in a declining position. In 2012 import amount was 14290.60 million Tk and then it decline to 9117.60 million Tk and create negative change of (-36.20%).
- Due to the highest rate of interest the people do not interested to take loan from the bank and so the rate of import is decrease that is shown in the year of 2013
- There is a positive contribution of the Bank Asia from 2010 to 2012 but in 2013 it becomes reduced to 8%.

Export Analysis:

- In 2013 there was falling at overall Export (-5.37%) because of the economic recession and political turmoil.
- There is a positive and continues growth of export from 2010 to 2012 but in 2013 it became decline to 16160.50 from 17078.50. It seems to be the foreign buyer did not interested to purchase RMG product lack of compliance management practices on the garment industry in Bangladesh.
- It is shown from the above table and graph is that the contribution of the Bank Asia agrabad branch is decline in 2011 with 16.52% from 21.10%

Foreign Remittance Analysis

- Remittance is the source of income for the bank but it is seeing that it became decline in 2012 and have a less contribution to the overall Bank Asia with 0.57% in the same year 2012.
- From the above performance of remittance it is shown that among the countries in every year there is a positive increase of remittance but 2012 there was a fluctuation of remittance decrease to 5.56 which is less than previous year in UK.
- In case of foreign remittance the sender does not mention the purpose of Remittance properly, for which reporting to Bangladesh has found some gap.

5.2. Recommendations

On the basis of my three months observations during my internship period and responses from bank officers and customer regarding the issues, the following strategic steps should be taken to overcome the problems and regain the better position in the competitive banking arena. As if three months experience with foreign exchange department is not enough to suggest on Bank Asia Ltd. However, Bank Asia Ltd can take the following progressive steps and implement it efficiently and effectively to enhance their performance potentiality.

Recommendations related to study :-

- The Bank Asia Ltd should appoint a sound investment policy. It will be supportive for the importer to take loan with affordable interest from the bank and also it will be helpful for the bank to increment of its import activities.
- The Bank should have to focuses on the recent negative growth rate and should have to appoint their strategic skills, competitive experts and trained people to turn this negative growth rate into positive growth rate.
- Bank Asia Ltd will have to control the drastic fluctuation of RMG export performance. Because, RMG is the only export sector which hold highest percentage of export activity one of the source of income of Bank Asia Ltd.
- The Bank should have to diversify their Export and Import related country not only in a equal category but also in a profitable basis and have to make predictable plan so that risk related to this can be reduced.
- Bank Asia Ltd should minimize the bureaucratic formalities to accelerate remittance of fund. Because Bank Asia Ltd owns negative growth rate at 2010 and 2013. So the bank should appoint immediate strategy. Basically the general banking activities such as acceptance of deposit, lending and investment affect the remittance management of a bank. So Bank Asia Ltd should be careful about general banking activities. Another important issue related to remittance sector is that the bank should also focus on its remittance operation to enhance its dealing with USA and Italy

Recommendation for overall study :-

- Bank Asia operating software “STEALER” Should be changed, because most of the time it got problem and hampered working attention and also delayed time.

- The bank need to emphasis and make a advertisement on newly introduce “ISLAMIC BANKING “ department so that people get ins and outs information about Islamic banking and the bank ensure investment and safe the deposit accordingly.
- Bank Asia can introduce a software that will provide update information to the client about their transection whereas the response promptly and the banker run the activities smoothly.
- More than 50% foreign trade income comes from L/C opening charges. Other sources of income includes: amendment charges, postage charges, SWIFT charges, L/C advice etc.
- Latest development in the business like introduction of SWIFT (Society for World-wide Inter-bank Financial Telecommunications), accessibility of internet and e-mailing facility etc should be introduced to all the AD branches to get fast and best performance.
- L/C information should be kept in proper and organized manner to be able to check, verify or inspect any transaction or client for any kind of fraud or forgery. A complete database may be maintained in this regard

5.3 Conclusion

Last but not least, there is much scope for Bank Asia Limited to improve its current foreign trade achievements though performing well than others. Extensive operational services should be introduced to continue as well as improve the current scenario and ensure the proper management to the overall functions of the bank to ensure the continuous growth of the bank. This is because; fierce competition prevails around in the banking sector of Bangladesh among the newer and existing banks and foreign banks. Therefore Bank Asia has to think and evolve newer way to not only retain its clients but also to gradually develop its customer base in order to maintain its significant contribution in our economy and to come up to the first rank among the banks.

More attentions are to be given to improve and monitor the foreign trade operations of banks. Overall reformation of regulations for foreign trade business should be ensured in the market to boost the current growth trend of foreign trade. Finally, the bank has to introduce new technology and place potential manpower in proper position to handle all the strategic activities in the changing environment.

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