



***In the Name of Allah the Most
Gracious the Most Merciful***

INTERNSHIP REPORT ON

“FOREIGN EXCHANGE BUSINESS OF TRUST BANK LIMITED”

Submitted to :	
Supervisor	Co-Supervisor
Md. Reiazul Haque Assistant Professor, Department of Accounting Faculty of Business Studies HSTU, Dinajpur	Dr. Md. Zahangir Kabir Associate Professor Department of Management Faculty of Business Studies HSTU, Dinajpur.

Submitted By :
Md. Haidar Ali Evening MBA Major in Accounting 2 nd Batch, ID # E130502063 Faculty of Business Studies HSTU, Dinajpur

This internship report is submitted to the Faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur as a Partial fulfillment of the requirement for the degree of Evening MBA program



*HAJEE MOHAMMAD DANESH SCIENCE AND TECHNOLOGY UNIVERSITY,
DINAJPUR-5200*

May, 2016

AN INTERNSHIP REPORT
ON
“FOREIGN EXCHANGE BUSINESS OF TRUST BANK LIMITED”

Prepared By-

Md. Haidar Ali
Evening MBA (Major in Accounting)
2nd Batch, ID # E130502063
Faculty of Business Studies
HSTU, Dinajpur

Submitted to

Supervisor.

Md. Reiazul Haque
Assistant Professor,
Department of Accounting
Faculty of Business Studies
HSTU, Dinajpur-5200

Co-Supervisor.

Dr. Md. Zahangir Kabir
Associate Professor
Department of Management
Faculty of Business Studies
HSTU, Dinajpur-5200

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May, 2016

Dedicated to

My

Beloved Uncle

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Trust Bank Limited



**“Foreign Exchange Business
Of
Trust Bank Limited”**

Letter of Transmittal

May 9,2016

Md. Reiazul Haque
Assistant Professor,
Faculty of Business.
HSTU, Bangladesh.

Subject: Submission of Dissertation Report.

Dear Sir,

Here is a Report on - **Foreign Exchange Business Of Trust Bank Limited**. This Report was assigned to me as a partial fulfillment of Dissertation.

I have tried to gather a collection of information to make my report specific. Through the procedure of preparing the report I developed a clear understanding The **Foreign Exchange Business Of Trust Bank Limited**.

I tried our best to make this report as reflective as possible. I appreciate to provide any information or classification if necessary.

Thank you for consideration.

Yours sincerely,

.....
Md. Haidar Ali

ID: E130502063

Major in Accounting
EMBA Program, HSTU

Date:

Enclosure: Final Report



Md. Reiazul Haque
Assistant Professor
Department of Accounting
Faculty of Business Studies
Hajee Mohammad Danesh Science & Technology
University,
Dinajpur.

CERTIFICATE OF THE SUPERVISOR

This is to certify that Md. Haidar Ali, 2nd Batch, ID # E130502063, student of Hajee Mohammad Danesh Science & Technology University, Dinajpur of Evening MBA program-2015 has completed the internship report ‘*Foreign Exchange Business Of Trust Bank Limited*’ successfully under my supervision.

I wish him every success in life.

Md. Reiazul Haque
Assistant Professor
Department of Accounting
Faculty of Business Studies
HSTU, Dinajpur.



Dr. Md. Zahangir Kabir
Associate Professor
Department of Management
Faculty of Business Studies
Hajee Mohammad Danesh Science & Technology
University,
Dinajpur.

CERTIFICATE OF THE CO-SUPERVISOR

This is to certify that Md. Haidar Ali, 2nd Batch, ID # E130502063, student of Hajee Mohammad Danesh Science & Technology University, Dinajpur of Evening MBA program-2015 has completed the internship report “*Foreign Exchange Business Of Trust Bank Limited*” successfully under my supervision.

I wish him every success in life.

Dr. Md. Zahangir Kabir
Associate Professor
Department of Management
Faculty of Business Studies
HSTU, Dinajpur.

DECLARATION

I'm Md. Haidar Ali, hereby declare that this intern report is my original work, that all sources that I used or quoted have been accurately reported and acknowledged by means of complete references, that this document has not previously, in its entirety or in part, been submitted to any university, college or organization in order to obtain an academic qualification, and that this work didn't breach any copyright.

Md. Haidar Ali

ID: E130502063

Major in Accounting
EMBA Program, HSTU

Date:

Acknowledgement

At the very outset, I would like to express my deepest gratitude to almighty Allah for giving me the strength and opportunity to finish the report within the schedule time.

The Submission of this report on **Foreign Exchange Business of Trust Bank Limited** is a very happy occasion for me. In this context, I would like to acknowledge **Md. Reiazul Haque, Assistant Professor, Faculty of Business, HSTU of Bangladesh**, for helping me to complete this report. She sacrificed her valuable time for my internee purpose. When I gone to him, he makes my problems easily understandable and gave valuable suggestions about my report.

I express my overall gratitude to all the persons who have been involved in assisting me to complete my report.

Executive Summary

A brief description of the report on **Foreign Exchange Business of Trust Bank Limited** is presented in order to fulfill the requirements of my EMBA program. Trust Bank Limited is a fast growing private commercial bank, which is primarily driven by creating opportunities and pursuing market niches not traditionally met by conventional banks. Foreign Exchange Department is the crucial part of a bank. A bank's performance is very much dependent on its foreign exchange operation. So I have prepared this reporting focusing Foreign Exchange Department of Trust Bank Limited. The objectives of the report are as follows:

- To present an overview of Trust Bank Limited.
- To present the current situation of export, import and remittance procedure.
- To present contribution of Foreign Exchange Business in the profitability of Trust Bank Limited.
- To recommend suggestions for the development of Trust Bank Ltd.

Foreign Exchange Business of a Bank plays a vital role in the economy of a country. The main aim of this report is to find out the foreign exchange business procedure and contribution of foreign exchange business in the overall profit of Trust Bank Limited.

**HAJEE MOHAMMAD DANESH SCIENCE AND TECHNOLOGY
UNIVERSITY, DINAJPUR**

To Whom It May Concern

This is to certify that the Dissertation report on **“Foreign Exchange Business Of Trust Bank Limited.”** For the degree of Master of Business Administration (EMBA) major in Accounting, HSTU of Bangladesh carried out by MD. Haidar Ali, Student ID # E130502063 under my supervision. No part of the Dissertation report has been submitted for any degree, diploma, title, or recognition before.

Md. Reiazul Haque
Assistant Professor
Department of Accounting
Faculty of Business Studies
HSTU, Dinajpur.

Chapter One: Introduction

1.1 Back ground of the Study

1.2 Limitations of the Study

1.3 Objective



1.1 Back ground of the Study

Now a day, education is not just limited to books and classrooms. In today's world, education is the tool to understand the real world and apply knowledge for the betterment of the society as well as business. From education the theoretical knowledge is obtained from courses of study, which is only the half way of the subject matter. Practical knowledge has no alternative. The perfect coordination between theory and practice is of paramount importance in the context of the modern business world in order to resolve the dichotomy between these two areas. Internship Program brings a student closer to the real life situation and thereby helps to launch a career with some prior experience.

Economy of a country and its banking system are alike "Siamese Twin". By mobilizing the capital of an economy, banking system plays a significant role to ensure economic growth. Bangladesh's banking sector consists of central bank (named as Bangladesh Bank), Commercial banks, Development Banks and Specialized Financial Institutions. The Commercial banks comprise of Nationalized Commercial Bank (NCB), Local Private Bank, Foreign Private Bank, and Islamic Bank. In recent years, we observe a mushroom growth in the banking sector in Bangladesh. The very active and boisterous presence of private sector has stirred competition among the traditional commercial banks. Now, there are 56 private banks (43 domestic and 13 foreign) operating in Bangladesh.

1.2 Limitations of the Study

This report is an overall view of foreign exchange business procedure and its contribution to profitability of TBL. But there are some limitations for preparing this report. Firstly this bank is moderately new so they do not have enough data, that's why I did not make vast compare this bank with other banks. Secondly when I was doing my internship, there internal audit was going on. That's why I could not get all required data. With all of these limitations, I tried my best to make this report as best as possible. So readers are requested to consider these limitations while reading and justifying any part of my study.

Some restraint at the time of preparing the report are appended below

- The insufficiency of information is main constraint of the study. Moreover employees are not interested to provide all information due to security and other corporate obligation.
- The employees and clients are busy to provide me time for interview.
- Inexperience and time limitation were the constraints of the study.

1.3 Objective

1.3.1 Broad Objective

To know some aspects of foreign exchange business and task of foreign exchange department of the bank.

1.3.2 Specific Objective

- ❖ To assess overall dealings of the TBL Bank
- ❖ To examine bank's performance
- ❖ To identify problems regarding transaction
- ❖ To suggest probable measures in order to solve the identified problems
- ❖ To measure and evaluate the performance of Trust Bank Limited based on loan appraisal.
- ❖ To represent an overview of banking activities specially investment appraisal process.

- ❖ To identify how the bank is careful to segregate the duties and responsibilities of all employees.

Chapter Two: Company Overview

2.1 Company Overview

2.2 Objective of the Bank

2.3 Performance of TBL



In Any Branch Banking, ATM Banking, Phone Banking, SMS Banking, & Internet Banking to all customers. Customers can now deposit or withdraw money from any Branch of Trust Bank nationwide without needing to open multiple accounts in multiple Branches.

Via Online Services and Visa Electron (Debit Card), ATMs now allow customers to retrieve 24x7 hours Account information such as account balance checkup through mini-statements and cash withdrawals.

Trust Bank has successfully introduced Visa Credit Cards to serve its existing and potential valued customers. Credits cards can now be used at shops & restaurants all around Bangladesh and even internationally.

Trust Bank is a customer oriented financial institution. It remains dedicated to meet up with the ever growing expectations of the customer because at Trust Bank, customer is always at the center.

2.2 Objective of the Bank

Trust Bank Limited has been established with the objective of providing efficient and innovative banking services to the people of all sections of our society. One of the notable strengths of this bank is that it is backed by the disciplined and strongest Institution of Bangladesh i.e. Bangladesh Army and there is a synergy of welfare and profits in the dynamics of this institution.

Bank is service-oriented industry and we on our part are committed to ensure customized, qualitative and hassle free services in our banking operations along with the focus to broaden the clientele base. The bank has extensively in the country's industrial and agricultural sectors in the coming days. The bank is committed to contribute as such as possible within its limitations for the economic growth and for ensuring value of its available resources.

2.3 Performance of TBL

TBL a blend of expertise and technological excellence is in place to meet varied needs of modern customers. The bank aims at mobilizing untapped money of the country and prudent deployment for productive activities in the form of lending at a competitive interest rates/loan pricing.

2.3.1 Reserve

In accordance with the provision of the Bank Companies Act, 1991, minimum 20% of operating profit before tax is required to be transferred to Statutory Reserve. In 2012, 20% of profit before tax amounting to Tk. 138.77 million was transferred to Statutory Reserve and thus balance of statutory reserve stood at Tk. 1966.01 million at the end of 2012.

2.3.2 Profit and operating result

Despite various external challenges, Bank's overall businesses grew significantly in 2012 over that of 2011. Deposits of the Bank increased by 25.99% and stood at Tk. 83,063.00 million at the end of year 2012. Consolidated Loans and Advances increased by 7.42% and stood at Tk. 58,599.09 million at the end of the year 2012 compared to year 2011. Investment increased significantly by Tk. 4,010.42 million Showing growth of 41.49% compared to year 2011.

2.3.3 Deposits Portfolio

In the year 2012, deposits of the Bank shot up by 25.99% to Tk. 83063.00 million from Tk. 65930.04 million as recorded in the year 2011. The combination of competitive interest rates, depositors' trust in the Bank and mobilization efforts of the Bank Management resulted in the growth of deposits. Mix of deposits showed that fixed deposits contributed 62.49% to total deposits.

The Bank's deposits include the deposits from both conventional and Islamic banking deposit vehicles.

2.3.4 Loans and Advances

Consolidated Loans and Advances of the Bank as on 31 December 2012 was Tk. 58,599.09 million as against Tk. 54,552.66 million in the year 2011, showing an increase by almost 7.42% over the preceding year. The Loans and Advances cover up the areas of corporate (based on both Conventional and Islamic Shariah Mode), SME, Retail and Credit Card. The credit portfolio of the Bank also included mix of scheme loans, namely- Renovation & Reconstruction of Dwelling House Loan (RRDH), Consumers Durable Scheme Loan (CDS), Marriage Loan, Car Loan, HBF Loan and Commercial Loan. Corporate lending is still the core business of the Bank and continues to remain the major segment of the business. While providing loans to our customers, the policy of Bangladesh Bank is strictly followed. The portfolio has been further diversified to avoid risk of single industry concentration and remains in line with the Bank's credit norms relating to risk quality. The Customer Relationship has been strengthened and frequent visits to the clients have been ensured for further cementing existing relationship.

Loans and Advances

Figure in Million

Source of Annual Report 2012

2.3.5 Information Technology (IT) and Automation

All the branches of the TBL are fully computerized. New software(FLORA) is now in use to provide faster, accurate and efficient service to the clients. The bank is continuously striving for better services through extensive automation of its branches. They have already launched "One Branch Banking" through on-line connectivity. The bank has set up a full-fledged IT division to keep abreast of the latest development of IT for better service in the days to come.

2.3.6 Foreign Correspondents

Foreign correspondent relationship facilitates foreign trade operation of the bank, mainly in respect of export, import and foreign remittance. The number of foreign correspondents and agents of the bank in the year 2012 stood at 322, which covers important business and trade centers of the world. The bank maintains excellent relationship with the leading international banks, for handling all foreign correspondent and maintaining all foreign business there is an International Division, which is called ID.

Chapter Three: Methodology

3. Methodology

3.1 Area of the Study

3.2 Primary Data

3.3 Secondary Data

3.4 Data processing and Analyzing

3. Methodology

The report is a combination of primary and secondary data analysis along with financial analysis. To accomplish the report both primary and secondary data are necessary. Primary data is collected through meetings, surveys and secondary data are collected through annual report, books, articles, journals, brochures, website etc.

3.1 Area of the Study

The proposed study has been focused on the Foreign exchange of the Trust Bank Limited. In relation with the primary and secondary objectives, the Trust Bank Limited has been selected to perform our internship program.

3.2 Primary Data

- Direct interview of principal officer of the bank
- Direct question to the officers of Foreign exchange division
- Practical experiences gained during performing duties in different desks and department of the Foreign exchange department.

3.3 Secondary Data

- Annual report of Trust Bank Limited
- Printed forms and documentation supplied by Trust Bank Limited
- Booklets of international division of Trust Bank Limited
- Different Publications and Journals regarding banking activities and policies
- Auditors report of Trust Bank Limited
- Website of First Security Bank Limited (<http://www.trustbank.com.bd>)

3.4 Data processing and Analyzing

After collecting both the primary and secondary it process through various ways. Data has been computerized & processed by using MS Word, MS Excel. For the purpose of analyzing the data we have presented in tabular form, percentage form with necessary chart and graphs. After computerized processing, the data are analysis for making the report.

Chapter Four: Result and Discussion

4.1 Foreign Exchange Operation

4.2 Import Procedures

4.3 Export Procedures

4.4 Contribution of Foreign Exchange Business in the overall profit of Trust Bank Limited

4.1 Foreign Exchange Operation



Foreign exchange means and covers all business activities relating to export, import, inward and outward remittance and buying and selling of currency. 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 rendering 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.

4.1.1 Foreign Trade Department

Mainly foreign trade deals with import and export business that is two parties in foreign trade department in Trust Bank Ltd. (TBL)

1. Import Department
2. Export Department

Import department deals with the import oriented foreign trade while export department deals with export oriented foreign trade.

⇒ Foreign Correspondents

Foreign correspondent relationship facilitates foreign trade operation of the bank, mainly in respect of export, import and foreign remittance. The number of foreign correspondents and agents of the bank in the year 2014 stood at 322, which covers important business and trade centers of the world. The bank maintains excellent relationship with the leading international banks, for handling all foreign correspondent and maintaining all foreign business there is an **International Division**, which is called ID.

4.1.2 Import / Export

Import and export means flow of goods/services purchased by a party of one location from a party of another location. Normally import/export is done through letter of credit (L/C).

Wide-ranging changes and expansion in the world trade owing to the process of evolution in globalization and free market economy have facilitated free flow of goods, which resulted in worldwide trade competition.

4.1.3 Bangladesh Bank Guideline About Foreign Exchange Department

Guidelines For Foreign Exchange Transactions (Volume- 1)

This publication, titled 'Guidelines for Foreign Exchange Transactions' is the successor to the last (1996) edition of the same. This is a compilation of the instructions to be followed by the Authorized Dealers & their constituents, Money Changers in transactions relating to foreign exchange. These guidelines come in two volumes. The first volume includes the instructions and the prescribed forms/declarations relating to individual transactions. The second volume delineates the procedure of reporting of foreign exchange transactions by Authorized Dealers to Bangladesh Bank, and includes the performed for monthly returns, statements, schedules

for such reporting. Both volumes include instructions as on the 31 May, 2009 and should be read with FE Circulars/Circular Letters issued subsequently.

Foreign Exchange Policy Department
Bangladesh Bank
Head Office, Dhaka.
June, 2009.

Guidelines For Foreign Exchange Transactions (Volume- 1) Cover the topics given the below. Here nineteen chapters contain

Introduction and Definitions , Authorized Dealers and Money Changers, Instructions for Money Changers, Bangladesh Bank's Transactions with Ads, Foreign Currency Accounts of the ADs and Purchase and Sale of Foreign Currency, Forward Dealings in Foreign Exchange Hedging the Price Risk of Commodities, Non-Resident Taka Accounts of Foreign Bank Branches and Correspondents, Outward Remittances, Inward Remittances, Dealings in Foreign Currency Notes and Coins Etc., Import and Export of Currency Notes and Coins, Foreign Exchange, Gold, Silver, Jewellery and Securities Etc. Imports, Letters of Credit and Remittances against Imports, Back to Back LCs, Deposit of Counterpart Fund in respect of Imports under, Non Project Commodity Loans/Credits/Grants, Exports, Exports from the Export Processing Zones, Foreign Investment in Bangladesh, Operations in Securities, Commercial Remittances (Other than for Imports), Private Remittances, Travel, Private Foreign Currency Accounts , Non-Resident Foreign Currency Deposit Accounts, Resident Foreign Currency Deposit Accounts, Exporter's Retention Quota Accounts Foreign Currency Accounts for the EPZ Companies Convertible and Non-convertible Taka Accounts, Private Non-Resident Taka Accounts, Non-Resident Blocked Taka Accounts, Non-Resident Investor's Taka Accounts (NITA), Borrowing Abroad by Residents , Loans, Overdrafts and Guarantees, Credit Facilities to Industries in Export Processing Zones, Opening of Office and Appointment of Agents in Bangladesh by Non-Residents: Repatriation of Earnings of Commission, Fees Etc., Insurance Business Reinsurance
Payment Through International Cards

Guidelines For Foreign Exchange Transactions (Volume- 2)

This second volume of the publication title 'Guidelines for Foreign Exchange Transactions' contains instructions to be followed by Authorized Dealers and Money Changers in their reporting of foreign exchange transactions to Bangladesh Bank, and includes the performs of returns, statements, schedules to be used for such reporting. This volume includes

instructions in force as on July 31, 2010, and should be read with subsequent FE Circulars/Circular Letters advising modifications/alterations, if any.

August, 2010
Foreign Exchange Policy Department
Bangladesh Bank
Head Office, Dhaka.

Guidelines For Foreign Exchange Transactions (Volume- 1) Cover the topics given the below. Here tow chapters contain

Introduction , Submission of Returns of Foreign Exchange Transactions

4.2 Import Procedures



4.2.1 Stapes

For engaging in international trade every trader must maintain the following steps:

I. Understanding

Import trade in Bangladesh is controlled under the import and export control Act 1950. Authorized Dealer Banks will import the goods into Bangladesh following the import policy, public notice, F, E, circular and other instructions from competent authorities from time to time.

II. Registration of Importer

In terms of the importers, exporters and indenters (Registration) order 1981, no person can import goods into Bangladesh unless he is registered with the chief controller of import and export or exempted from the provisions of the said order. So the following documents are required to be submitted to the licensing authority for registration as importers.

- Questionnaire from duly filled in and signed.
- Income tax registration certificate.
- Trade License from the municipal or local authority.
- Bank certificate.
- Nationality certificate.
- Partnership Deed where applicable.
- Certificate of registration with the Registrar of joint stock companies and Memorandum and Articles of Association in case of private and public Ltd. Company.
- Certificate from the chamber of Commerce/Registered Trade Association.
- Ownership documents or rent receipts of the place of business.
- Any other documents required under the relevant import policy

After submission of the above documents and payment of requisite fees, if the documents are found in order and the C, C, E & I are satisfied, the import Registration Certificate (IRC) is issued to the applicant- importer.

III. Purchased Contract Between Importers And Exporters

Now the importer has to contact with the seller outside the country to obtain the pro-forma invoice/indent, which describes goods.

Indent is got through indentures a local agent of the sellers.

After the importer accept the preformed invoices, he makes a purchase contract with the exporter declaring the terms and conditions of the import.

Import procedure differs with different means of payment. In most cases import payment is made by the documentary letter of credit (L/C) in our country.

Then the importer collects a letter of credit Authorization (LCA) from TBL principal branch. Banks gives export guarantee that it will pay for the goods on behalf of the buyer. This guarantee is called letter of credit. The buyer and seller conclude a sales contract providing for payment by a documentary credit.

⇒ **Restricted items of imported goods**

1. Maps, charts and geographical globes, which indicate the territory of Bangladesh but do not do so in accordance with the maps published by the Department of survey, Government of the People's Republic of Bangladesh. Horror comics, obscene and subversive literature including such pamphlets, posters, newspapers, periodicals, photographs, films, gramophone records and audio and videocassette tapes etc.
2. Books, newspaper, periodicals, documents and other papers, posters, photographs, films, gramophone records, audio and video cassette tapes etc. containing matters likely to outrage the religious feelings and beliefs of any class of the citizens of Bangladesh.
3. Unless otherwise specified in this order, old, second-hand and recondition goods, factory rejects and goods of job-lot/stock-lot of secondary/sub-standard quality.
4. Reconditioned office equipment, photocopier, typewriter, telex, phone, computer, and fax.
5. Unless or otherwise specified in this order, all kinds of waste.
6. Goods (including their contains) hearing any words or inscriptions of a religious connotation the use or disposal of which may injure the religious feelings and beliefs of any class of the citizens of Bangladesh; and
7. Goods (including their containers) bearing any obscene picture, writing inscription or visible representation.

⇒ **Source of finance**

Import may be allowed under the following sources of finance:

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

⇒ Terms related to Import / Export

The following terms are related to the import/export business

(A) Letter of credit (L/C)

A-1 Definition of letter of credit

A-2 Consideration of letter of credit

A-3 Types of letter of credit

A-4 Parties of letter of credit

(B) Commercial Invoice

(H) Pro-forma invoice

(C) Bill of lading

(I) Bills of exchange

(D) Certificate of origin

(J) Packing list

(E) Inspection certificate

(K) Shipment advice

(F) Certificate of manufacture

(L) Bill of entry

(G) Insurance certificate

(A) Letter of Credit (L/C)**A-1. Definition of letter of credit (L/C):**

It goes without saying that you, the exporter, want to be paid as quickly as possible, whereas your overseas customer may well want to defer payment for as long as possible. The answer of course is credit.

A letter of credit is a financing instrument opened by a foreign buyer with a bank in her/his locality. The letter of credit stipulates the purchase price agreed upon by the buyer and seller, the quantity of merchandise to be shipped and the type of insurance coverage to protect the merchandise during shipment. The letter of credit names the seller as beneficiary (that is, you are the party who gets paid) and identifies the definite time period, the terms remain in force. The letter of credit authorized the buyers to pay when all the stipulated conditions have been met. A letter of credit gives some assurance to the seller that the buyer is solvent. Most letter of credit (L/C) is irrevocable and often confirmed when requested by the seller's bank before

the seller accepts them. This confirmation obligates the confirming bank to pay you once you have met all the stated conditions in the particular letter of credit (L/C).

A-2. Consideration of letter of credits (L/C)

There are two simple considerations when using a letter of credit (L/C):

(I) Specify as fully as possible to your buyer the amount of credit (payment) needed, the length of time for which this letter of credit (L/C) should be valid, whether partial shipments are acceptable and all necessary documents.

(II) When the letter of credit (L/C) is delivered to you through the advising bank, check to see that you can meet all provisions specified. If not, request an amendment by the foreign buyer before proceeding.

Letters are most often used when initiating business with a new account, when a check of the importer's credit reveals it would be unwise to make shipment on a less secure basis or when large purchases are requested by an unknown buyer.

A-3. Types of Letter of Credit (L/C)

Letters of credit may be-

- Revolving letter of credit (L/C).
- Assigned (L/C).
- Banker's acceptances

Revolving letter of credit (L/C)

This is useful when shipping a variety of goods to an established customer. It normally runs for a period less than one year and it provides for prompt reinstatement when drawn against.

Assigned letter of credit (L/C)

This type is the same as the normal letter of credit (L/C) except that it includes the phrase and/or assignees following the names of the beneficiary. This allows the exporter to make his or her domestic purchase by using the overseas buyer's credit. That is, you are agreeing that payment for the letter of credit (L/C) may be made to your supplier. This is a way for an exporter to conduct business with limited capital.

Banker's acceptances

As your business grows you will want to extend credit to your importer. One of the most efficient methods of doing this is through a banker's acceptance, after agreeing to the terms (e.g. 90 days at sight) the importer opens a draft (check) under a L/C in favor of the exporter (beneficiary). The exporter presents the draft and the requested shipping documents to the paying bank. The bank review the documentation for correctness, the "accept" the draft to become payable (mature) in 90 days, or if the exporter requires "accepts" the draft and discounts the amount because of the need for immediate fund.

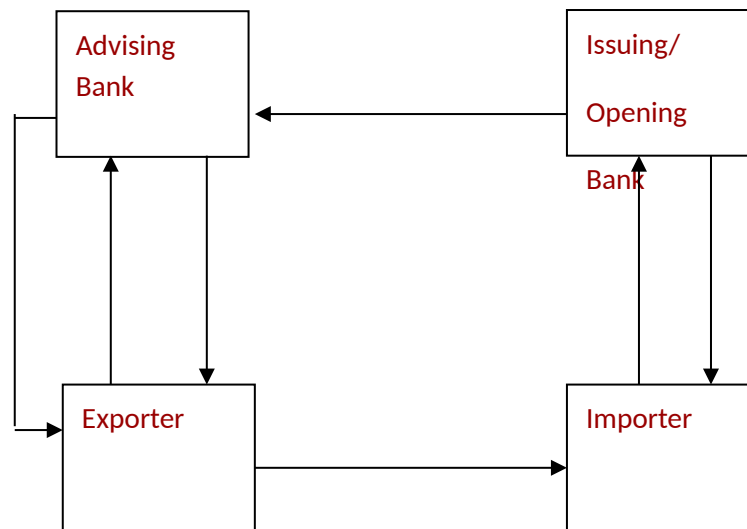


Figure: Typical letter of credit transaction.

Letter of credit (L/C) also may be

1. Revocable credit.
2. Irrevocable credit.

1. 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.

2. Irrevocable credit

An irrevocable credit constitutes a definite undertaking of the issuing bank (Since it can not be amended or cancelled without the agreement of all parties thereto), provided that the stipulated documents are resented and the terms and conditions are satisfied by the seller. This sort of credit always referred to revocable letter of credit.

A-4 Parties of letter of credit

Various parties are related to the letter of credit, such as-

- The issuing bank.
- The confirming bank, if any
- The beneficiary other parties, which facilitate the documentary credit, are
- The applicant.
- The advising bank.
- The negotiating bank/applicant bank
- The transferring bank, if any

Importer- seller who applies for opening a L/C

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.

Issuing Bank: It is the bank which opens/issues a L/C on behalf of the importer.

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.

Negotiating Bank: It is the bank, which negotiates the bill 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.

Paying/Accepting Bank: It is the bank on which the bill will be drawn (as per condition of the credit). Usually it is the issuing bank.

Reimbursing Bank: It is the bank, which would reimburse the negotiating bank after getting payment-instructions from issuing bank.

B. Commercial Invoice

As in a domestic shipment, good business practice dictates that a commercial invoice includes:

1. Full address of the shipper, seller and consignee, if different;
2. The respective reference number
3. Date of the order
4. Shipping date
5. Mode of shipment
6. Delivery and payment terms
7. A complete description of the merchandise and prices
8. Discounts and quantities.

In addition, if payment is to be against a letter of credit (L/C) reference to the bank and the corresponding credit or advice numbers must be given.

In some instances, it is necessary for the seller to sign his or her invoices and even have them notarized or countersigned by the local chamber of commerce or both.

C. Bills Of Lading

These may be overland (truck or rail) air, or ocean bills of lading, depending on destination or terms of sales. As in domestic shipment, there are two basic types of bills of lading:

- Straight (or nonnegotiable)
- Shipper's order (negotiable)

The shipper's order (negotiable) is used for sight draft or letter of credit shipments. This shipment must endorse the original copy of the "order" bill of lading before it is presented to the bank for collection. The endorsement may either be "in bank" or "to the order of" a third party, such as the negotiating bank. The letter of credit will stipulate which endorsement to use with the exception of ocean shipments; the carrier issues only one original bill of lading. Any number of original ocean bills of lading may be issued depending on the requirements of the buyer. Normally, all original copies are endorsed and submitted to the bank.

D. Certificate of Origin

Even though a commercial invoice may contain a statement of origin of the merchandise a few countries require a separate certificate sometimes countersigned by a chamber of commerce and possibly even visited by the country's resident consul at the port of export. These may be on a special form of the foreign government, or in other cases, a certificate on

the shippers own letterhead will suffice. Statements of origin are required to establish possible preferential rates of import duties under a most favored nation arrangement.

E. Inspection Certificates

In order to protect themselves, many foreign firms request a certificate of inspection. This may be either an affidavit by the shipper or by an independent inspection firm, as dictated by the buyer, certifying to the quality, quantity and conformity of goods in relation to the other. This is usually done before the goods are shipped.

F. Certificate of Manufacture

This document is used when a buyer intends to pay for the goods prior to shipment but the lead time for the manufacture of the products is lengthy and the buyer does not desire to allocate the money so far in advance. If the seller feels that the buyer is a good credit risk, the seller will produce with the manufacture of the products with perhaps only a down payment. After the merchandise is ready, the seller prepares a certificate stating that the ordered goods have been produced in accordance with the contract and have been set aside for the account of the buyer. Commercial invoice and packing list are sent as supporting documents.

G. Insurance Certificates

Where the seller provides ocean marine insurance it is necessary to furnish insurance certificates, usually in duplicate indicating the type and amount of coverage involved. Here again these are negotiable documents and must be endorsed before submitting them to the bank.

H. Pro-forma Invoice

When a commercial invoice is required but it is not available at the time of foreign shipment arrives at importer's customs, the importer (not the foreign exporter) may prepare a pro-forma invoice. This invoice contains generally the same information required on the proper commercial invoice, which is prepared by the exporter.

I. Bill of Exchange

An unconditional order in writing, addressed by one person (the drawer) to another (the drawer) and signed by the person giving it, requiring the drawer to pay on demand or at a fixed or determinable future time a specified sum of money to or to the order of a specified person (the payee) or to the bearer. If the bill is payable at a future time the drawer signifies acceptance, which makes the drawer the party primarily liable upon the bill; the drawer and endorsers may also be liable upon a bill. The use of bills of exchange enables one person to transfer to another an enforceable right to a sum of money. A Bill of Exchange is not only transferable but also negotiable, since if a person without an enforceable right to the money transfers a bill to a holder in due course, the latter obtains a good title to it.

J. Packing List

Packing list is the letter describing the number of packets, packet's weight and their size. If there are several copies, then two copies should be given to the client and the remaining should be kept in the bank but if there is only one copy, then the photocopy should be kept in the bank and the original copy should be given to the client.

K. Shipment Advice

The copy mentioning the name of the insurance company should be given to the client and the remaining copies should be kept in the bank but if only one copy is given then the photocopy should be kept in the bank and the original copy should be given to the bank.

L. Bill of Entry

Bill of entry is a custom clearance copy. Custom authority certifies that imported goods are legal or illegal. Bill of entry must deposit into the importer's bank by the importer because central bank (Bangladesh Bank) examines the parties' bill of entry.

Bill of entry includes:

Name of exporter

Name of importer

Origin of product

Details about imported goods (such as unit price, quantity, total amount)

Harmonization code.

At the time of bill of entry Custom authority charge taxes following way

Name of charge	Rate of charge
Custom duty	15%
Supplementary duty	0
VAT (Value added tax)	15%
Advance income tax	3%
Development surcharge	4%
Advance trade VAT	0
PSI service charge	1%

IV. Declaration of Authorities

I/We confirm that the documents relating to this consignment are genuine and correct. All these records and documentation will be preserved and produced before customs authorities, if and when demanded, within three years.

V. Dealing with Foreign Currency

Banks buys and sells convertible currency “at” spot (immediate) or for future delivery. You, as an importer, may contract with a bank to buy the currency for future delivery at fixed rate of exchange because you know that, at some specific future time, you must make payment in that foreign currency.

Conversely, as an exporter you may protect yourself by contracting to sell to a bank, at a fixed rate of exchange. The foreign currency proceeds you expectation a given date. These contracts provide a “hedge” against currency fluctuation. That is, importers and exporters avoid the risk of fluctuating exchange rates and can better determine their true costs and profits when they enter into such a contract. The bank dose not charges interest on these contracts because no payments are due in advance of the due date of the contract.

4.2.2 How L/C used In Import

A letter of credit (L/C) is an instrument for payment of international trade. It is a written instrument. On the request of the customer (Importer) a bank (issuing bank) will issue a L/C in which it obligates itself to pay the seller (exporter) against presentation of draft and certain

documents. Those documents are evidences of shipment and include all of the terms and conditions stipulated in the L/C. The issuing bank advises the exporter that a L/C has been obtained by the importer through its correspondent (advising bank) in the exporter's country. The exporter may require that the credit be confirmed by another bank (confirming bank). After presentation of the documents in compliance with the terms and conditions of the L/C, the exporter is usually paid through a local bank (Paying bank).

The instruction flow of a L/C opening shown below:

Transaction Flows of A L/C

At issuance and advising stage

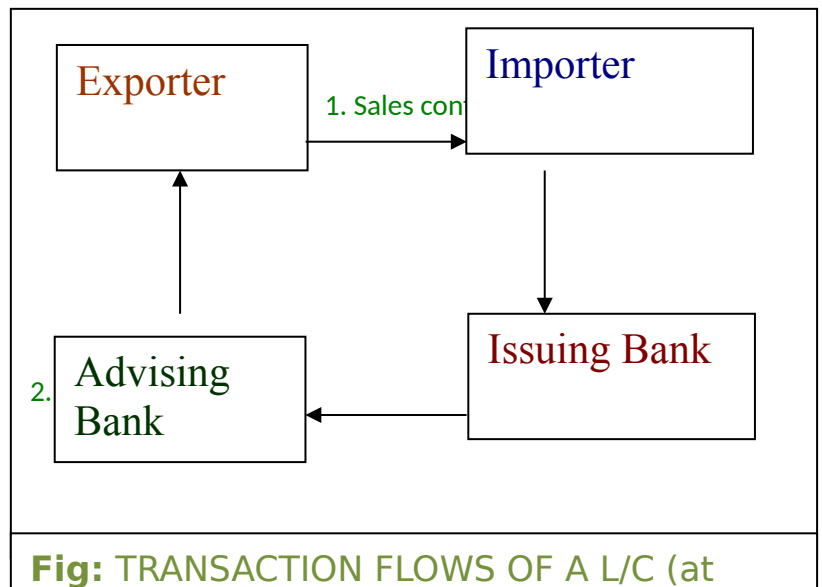


Fig: TRANSACTION FLOWS OF A L/C (at issuance and advice stage)

- A. Exporter and importer sign a sales contract, providing for payment by a L/C.
- B. Importer requests bank to open a L/C in favor of the exporter.
- C. Issuing bank requests a second bank to advise (or confirm and advise) the credit.
- D. Advising bank informs Beneficiary that the L/C has been issued.

Exporter examines L/C to be certain that he can comply with its terms and conditions. If not, he must request the importer to initiate an amendment, which can only be done with the consent of all parties: buyer, seller, opening and confirming banks. At this stage the transaction flows of the L/C will be as flows:

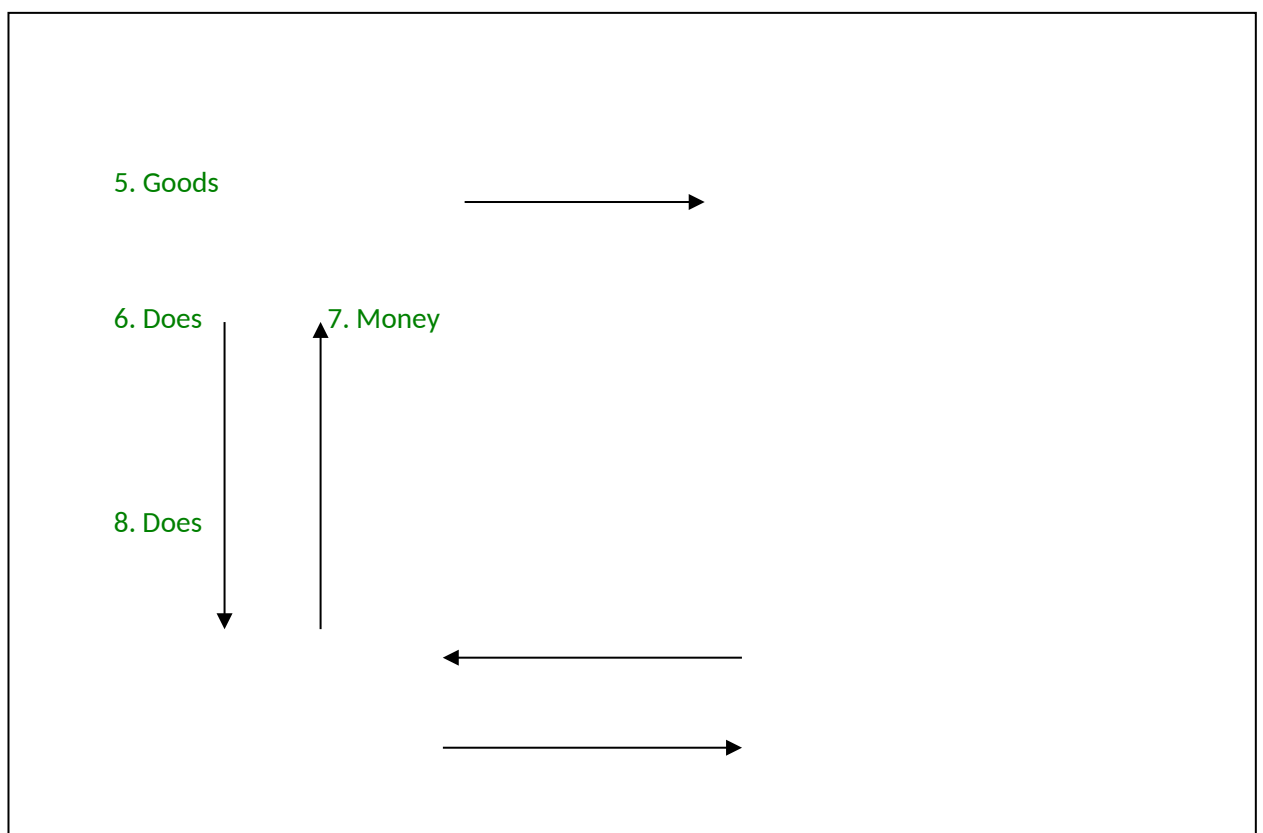


Fig: TRANSACTION FLOWS OF A L/C (at presentation stage)

E. When satisfied with the terms of the L/C, exporter is ready to ship goods.

F. Exporter sends the required documents to where3ver the credit will be available (perhaps at the issuing bank, confirming bank, a named negotiating bank or any other bank willing to negotiate the credit).

G. Bank checks documents against the requirements of the L/C. if in order; bank will pay, negotiate or accept, according to the terms of the credit.

H. The Bank, if not the issuing bank, will send the documents to the issuing bank.

I. The issuing bank checks the documents and, if they meet requirements, will either make payment in accordance with the terms of the credit, or reimburse the bank that has already paid, accepted or negotiated the credit. At this juncture, the transaction flows of the L/C will be as follows:

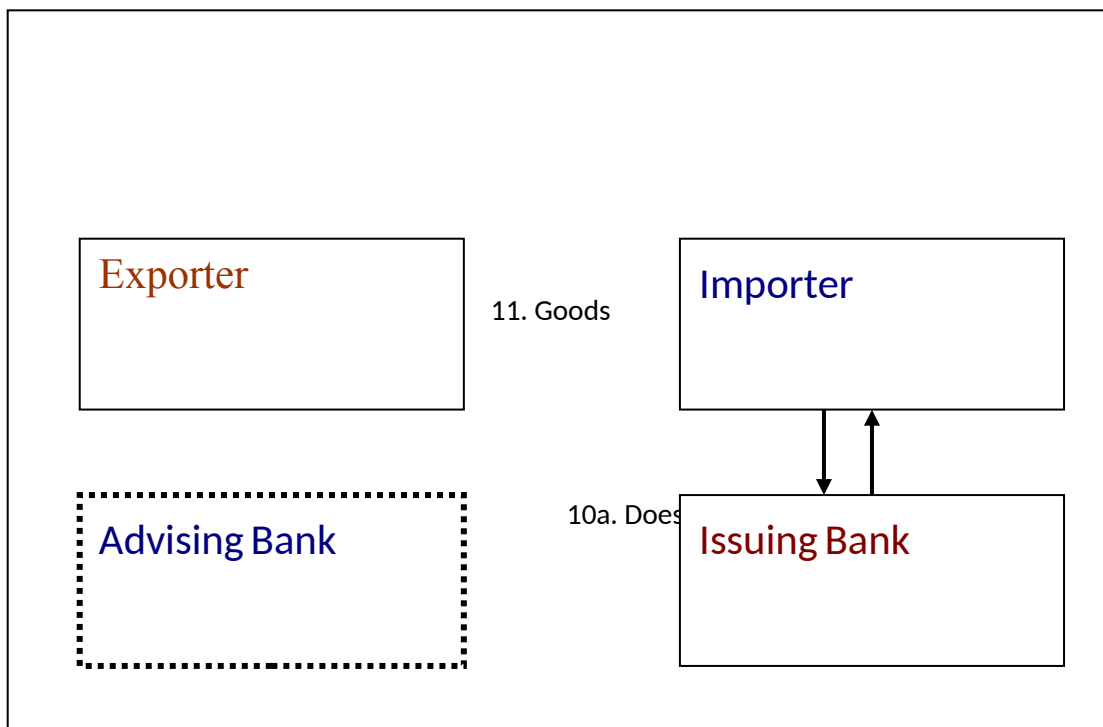


Fig: TRANSACTION FLOWS OF A L/C (at repayment stage)

J. (A) When the issuing bank is satisfied with the documents, they are released to the importer upon payment of the amount due (or upon other terms agreed upon between importer and his bank)

(B) Ultimately, the importer pays the issuing (opening) bank for the cost of the goods purchased.

K. The buyers then deliver the documents to the carrier and receive the goods. The trade transaction under an L/C is made up of three (sometimes four) separate and independent contracts:

- Sales contract defining buyer and seller's obligation to each other.
- L/C application, which includes the credit agreement between buyer and opening bank, in which the importer promises to repay and payments made under the credit.
- The letter of credit is representing the issuing bank's obligation to the beneficiary.
- Confirmation of the L/C represents the issuing bank's obligation to the beneficiary.

Confirmation of the L/C is the contractual obligation between the confirming banks the exporter to pay upon presentation of complying documents.

4.2.3 Foreign Exchange Activities of Trust Bank Limited (Corporate Branch)

1. Foreign letter of credit (L/C)
2. Local (Back to Back) letter of credit (L/C)
3. Foreign letter of credit (L/C):

4.2.4 In case of foreign letter of credit (L/C) Corporate Branch provides the following services:

1. L/C application form
2. Check the important point of L/C.
3. Scrutinizing L/C application.
4. Transmission of L/C to beneficiary through advising bank.
5. Additional confirmation to L/C.

6. Amendment of L/C.
7. Presentation of the document.
8. L/C advising.
9. Examination and scrutinizing of import document.
10. Lodgment of the document.
11. Intimation to the applicant.
12. Retirement of document.
13. Shipping guarantee.
14. Payment of import bills.
15. Accounting treatment.
16. Report to Bangladesh Bank (BB).

1. L/C Application Form

L/C application form is a sort of an agreement between customer and bank on the basis of which letter of credit is opened. This is a printed form bearing stamps of prescribed amount in accordance with stamps act in force. It stipulates the conditions governing the letter of credit, contains an undertaking by the customer to make funds available in his account with the bank when bills would be presented under the credit. The following documents are required to be submitted by the importer to his banker for opening.

1. The LCA form properly filled and signed by the importer.
2. L/C application duly signed by the importer.
3. Purchase contract. i.e. indent for the goods issued by an indenter or pro-forma invoice as the case may be.
4. Insurance cover note.
5. Membership certificate from a recognized chamber of commerce and industry or Town Association or registered Trade Association.
6. Proof of payment of renewal fees for the Import Registration Certificate.

7. A declaration in triplicate, that the importer has paid income tax or submitted income tax return for the preceding year.
8. In case of public sector, attested photocopy of allocation letter issued by the allocation authority, administrative Minister or Division specifying the source, amount, purpose, validity, and other terms and conditions against imports.
9. Chief controller of imports as may be required as per instruction issued/to issues any such documents from time to time.
10. On receipt of the LCA Form and the other documents, the banks carefully scrutinize the documents and lodge the same in their respective registration books and duly verify the signature of the importer given on LCA Form. If everything is ok, banks takes preparation to prepare the L/C.
- 11.

2. Check the important point of L/C

To prepare a L/C the branch takes care on the following points:

- ✚ Import L/C number.
- ✚ L/C opening date.
- ✚ Name of the L/C opening bank.
- ✚ Where issued the L/C.
- ✚ Name of beneficiary.
- ✚ Name of the importer.
- ✚ Whether it is authentic/Test Agreed.
- ✚ Whether it is irrevocable.
- ✚ Whether it is transferable.
- ✚ Whether it is confirmed by third bank.
- ✚ Whether it is restricted.
- ✚ Whether transfer is regular.
- ✚ Expire date of import L/C.
- ✚ Place of expiry of import L/C (Bangladesh or any other country)
- ✚ Amounts of import L/C.
- ✚ Last date of shipment of import L/C with mode.
- ✚ Port of destination.
- ✚ Negotiation date.
- ✚ Where negotiation restricted.
- ✚ Bill of lading clause/ Airways bill.
- ✚ Where export L/C is genuine.

- ✦ Payment clause.
- ✦ Basis of L/C where FOB/ C&F/ CIF
- ✦ Name of importable category NO.
- ✦ Quantities of importable.
- ✦ Name of country from import.
- ✦ Name of particular shipping line if any
- ✦ Pre shipment inspection.

3. Scrutinizing of L/C applications

TBL (Corporate Branch) officially scrutinizes the application in the following manner:

- ❖ The terms and conditions of the L/C must be complied with UCPDC 500 and exchange control & import trade regulation.
- ❖ Eligibility of the goods to be imported.
- ❖ The L/C must not be opened in favor of the importer.
- ❖ Radioactivity report in case of food item.
- ❖ Survey reports or certificate in case of old machinery.
- ❖ Carrying vessel is not ISRAEL OR OF SERBIA-MONTENEGRO.
- ❖ Certificate declaring that the item is in operation not more than 5 years incase of car.

4. Transmission of L/C to beneficiary through advising bank

Then the transmission of L/C is done through tested telex, fax or SWIFT to advise the L/C to the advising bank. The advising bank verifies the authenticity of the L/C. TBL has corresponding relationship or arrangement throughout the world by which the L/C is advised. Actually the advising bank does not take any liability if otherwise not requested.

5. Credit report

If the amount of L/C exceeds US \$10000/=, Trust Bank Ltd. takes the credit report of the beneficiary to ensure the worthiness of the supplying goods.

Additional confirmation to import L/C:

At times, beneficiary of letter of credit does not accept letter of credit (issued by issuing bank), as he is not aware of the credit worthiness of issuing bank. The beneficiary, therefore, insists that a bank in seller's country further confirm such letter of credit. The advising bank can do this if there is prior arrangement between advising and issuing bank. When the

correspondent bank (advising bank) in seller's country adds its confirmation to the credit and advises the letter of credit to the beneficiary (seller), the correspondent bank becomes both Confirming as well as advising banker and steps into the shoes of issuing banker by undertaking obligations, which are identical to those of issuing banker. The obligations are to effect payment to the beneficiary if documents conform the letter of credit terms. The advising bank sometimes receives credits addressed to it containing the name of the beneficiary in the body of accredit. In such cases, the advising bank prepares fresh letter of credit addressed to the beneficiary containing all the terms and conditions of the original credit duly signed by itself.

6. Amendment of L/C

Parties involved in 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. These amendments involve changes in Unit price, Extension of validity of the L/C, Documentary requirements etc.

Such amendments can be affected only if all the concerned parties agree i.e. the beneficiary, the issuing bank and the advising bank.

For any amendment the importer must request the issuing bank in writing duly supported by revised indent/ pro-forma invoice. The issuing bank then advises the required amendment to the advising bank. L/C amendment commission including postage is charged to the clients account.

7. Presentation of the Documents

The seller is being satisfied with the terms and the conditions of the credit makes shipment of the goods as per L/C terms.

After making the shipment of the goods in favor of the importer the exporter submits the documents to the negotiating bank.

After receiving all the documents, the negotiating bank then checks the documents against the credit. If the documents are found in order, the bank will pay, accept or negotiate to TBL.

Branch & bank received seal to be affixed on the forwarding schedule.

The Bills of Exchange & transport documents must immediately be crossed to protect loss or fraudulent.

TBL checks the documents. The usual documents are:

1. Invoice
2. Bill of lading
3. Certificate of origin
4. Packing list
5. Weight list.
6. Shipping advice
7. Non-negotiable copy of bill of lading.
8. Bill of exchange
9. Pre-shipment inspection report
10. Shipment certificate.

8. L/C Advising

The L/C duly assigned by two authorized officers, whose specimen signatures are already recorded with the corresponded banks, must be addressed to the beneficiary. Bank generally dose not enter into direct contact with the beneficiary. Instead they utilize the services of its own branch office (if any) or correspondent bank at seller's country for the purpose of advising it to the seller (beneficiary). Thus the correspondent bank becomes the "Advising Bank".

The process of advising a credit consists of forwarding the original credit to the beneficiary to whom it is addressed. Before forwarding/ advising the credit to the seller under appropriate forwarding coverage, the advising bank has to verify the signatures of the officers of the opening bank and ensure that the terms and condition of the credit are not in violation of regulations relating to export. While advising, the advising bank doses not undertake any liability.

9. Examination and scrutiny of import documents

After shipment of the goods, the exporter submits the export documents to the negotiating bank. Negotiating bank checks and sends the documents to the issuing bank after negotiation. Upon receipt of the import documents issuing bank will examine the documents carefully. If there is any discrepancy in the documents, bank will decide within seven (7) banking days, following the day of receipt of the documents, whether it will accept the documents or will refuse. If the issuing bank fails to communicate the refusal to the negotiating bank within 7 days, the documents are deemed to be accepted.

At time of scrutiny the following points to be checked specially-

Bill of exchange:

- Is the bill drawn in terms of the L/C and does it bear L/C no, and date?
- Does the amount of the BOE in words and figures agree and are they in the same currency of the L/C?
- Whether the draft is on the issuing bank or not?

Invoice:

- Does the invoice value agree with the amount of the BOE?
- Does the invoice value clearly state the unit price i.e. FOB/C&E/CIF as mentioned in the L/C?
- Does the description of goods declared in the invoice agree with that of the L/C?
- Does the shipping mark on invoice agree with those on B.L/AWB/TR/RR?
- Does the gross weight and net weight if shown on invoice agree with those on B/L?
- Custom invoice and consular invoice to be presented as per credit terms.

Pre-shipment inspection report:

- Inspection done by the authorized person called by the L/C.
- Inspection done at named place.
- Inspection certificate must confirm the specification called for in the L/C.
- Certificate must confirm that they have inspected the goods related to the L/C under reference.
- Inspection certificate must confirm the quality of the goods they inspected as called by the credit.

Transport Documents:

- Has the full set of original transport documents have been submitted?
- Is the B/L marked “ON BOARD”?
- Is the B/L clean?
- Combined ‘charter party’, ‘short Form’ B/L is not acceptable if not allowed in the L/C.
- Transshipped B/L not to be acceptable unless allowed by L/C.
- Is ‘Freight prepared’ or ‘Freight payable’ at destination in accordance with L/C terms?
- The date of shipment on the transport documents must not later than the date stipulated in the L/C.
- B/L must be issued in order of the issuing bank.
- The port of shipment and destination must be as per credit terms.
- B/L must bear the name of carrying vessel and the flag

Beside the above, the bank examines and scrutinizes the following:

- Whether all the documents required by the credit is submitted.
- Documents to be consistent with one another.
- Documents to be presented within the stipulated time.
- Documents to be issued by the authorized person as stipulated in the credit.
- Documents to be examined as per credit terms and international standard banking practice.

10. Lodgment of documents

Lodgment means retirement of funds. Usually payment is made within seven days after the documents have been received. If the payment is become deferred, the negotiation bank may claim interest for making delay. Lodgment constitutes the followings:

a. Requisition for the foreign currency:

For arranging necessary fund for payment, a requisition is sent to the international department.

b. Preparing sale memo:

A sale memo is made at bank current rate to the customer. As the T, T & O.D rate is paid to the ID, the difference between these two rates is exchange trading, finally, an inter branch exchange trading credit advice is sent to ID.

c. Creation of PAD Liability:

TBL lodges the converted the bill amount at bills collection rate prevailing on the date of lodgment to PAD A/C and IBETCA prepared at the converted bill amount at T, T clear rate is sent to ID. PAD A/C should be adjusted within 21 days.

d. Payment instruction:

Payment instruction is given to the reimbursement bank to debit the issuing banks.

e. Payment intimation to the negotiating bank:

Intimation is sent negotiating bank ensuring that payment has been made.

11. Intimation to the applicant

As soon as above formalities are completed the importers are served with PAD bill intimations for retirement of concerned import document. A letter of intimation regarding receipt of the documents should be sent to the applicant with request to take delivery of the documents on settlement of all dues against it.

12. Retirement of Document

On intimation the importer approaches with a letter for retirement of the document against full payment with up to date interest and charges payable. Bank prepares cost memo in printed form on account of the concerned party giving details head of charges payable.

As far the vouchers are passed and necessary entries are given in PAD, ledger endorsements are made under two authorized signatures of the banks officers (P.A holder). Then the documents are delivered to the importer.

Then importer releases the importers goods from the port authority with the help of the clearing and forwarding agents C&F agent clears the goods from the port and hands over the goods to the importers.

After completion of all official requirements C&F agent submits the bill of entry of the banks. The bill of entry is wanted from the party for maintaining the evidence as the goods has been arrived.

13. Shipping guarantee

When goods arrive prior to arrival of documents this happens mostly in case of air shipment, shipment by truck from land or shipment by post parcel. In such cases bank endorses non-negotiable shipping documents for clearance of the goods subject to scrutiny and the documents being in order and settlement of the bank dues against the relative bills.

14. Payment of import bills

In case of back to back issuance, bills payment to be made on or before maturity date of the bill out of the realized export proceeds. In case of cash sight import bills, bank makes payment from its F.C deposit account and will realize the value of foreign currency from the client account.

15. Accounting Treatment

In the foreign exchange, Bank maintain accounting journal entries at the following stages-

1. At the time of L/C opening.
2. At the time of lodgment.
3. At the time of document retirement.

1. At the time of L/C opening

At the time of L/C opening following entries are given to realize the L/C margin, Commission, VAT, SWIFT charge, postage, stamp and miscellaneous expenses.

Client's Account.....	Debit
Sundry Deposit Margin on L/C.....	Credit
Income A/C (commission).....	Credit
Income A/C (Postage charge).....	Credit
Income A/C (SWIFT charge).....	Credit
Income A/C (stamp charge).....	Credit
Income A/C (miscellaneous expense).....	Credit
Vat on L/C (15% of commission).....	Credit

After that, L/C number and the above entries are given in the L/C Register. The contra entries stating the liability of the bank and the client are as follow.

Customer's liability.....Debit

Banker's liability.....Credit

2. At the time of lodgment

PAD A/C.....Debit

(Converted the bill amount at BC rate)

H.O A/C.....Credit

(Converted bill amount at T,T clear rate)

Income A/C profit on exchange.....Credit

(Difference between B, C & T,T clear rate)

REVERSAL ENTRIES:

Banker's liability.....Debit

Customer's liability.....Credit

(When lodgment is given)

3. At the time of document retirement

Sundry Deposit L/C Margin A/C.....Debit

PAD A/C.....Credit

(Margin amount transferred to PAD A/C)

Customer A/C.....Debit

PAD A/C.....Credit

Income A/C- interest on PAD.....Credit

(Customer's account debited for the remaining amount)

16. REPORTS TO BANGLADESH BANK

Trust Bank Ltd. monthly reports to BANGLADESH BANK for Permission under section 4/5 of the Foreign Exchange Act, 1947 to purchase foreign currencies for payment of imports. This report includes:

1. L/C authorization form

Number	Date	Value in Tk

2. Registration no of L/C authorization form with BANGLADESH BANK.

3. Description of goods.

4. Quantity of goods.

5. Invoice value in foreign currency.

6. Country of origin.

7. Port of shipment.

8. Name of air line/ steamer and date of shipment.

9. Port of importation in BANGLADESH or Name of country of ultimate destination if other than BANGLADESH.

10. Indenter's name and addresses.

11. Indenter's registration number with

C.C I & E	BANGLADESH BANK
INVOICE	

4.2.5 Local (Back to Back) Letter of Credit (L/C):

A term used to denote a L/C issued for the account of a buyer of merchandise already holding a L/C in his favor. The Back to Back L/C is issued in favor of the supplier of the merchandise to cover the same shipment stipulated in the credit already held by the buyer. The term of both L/C, with the exception of the amount and expiration date are also similar that the documents presented under the back to back L/C are subsequently applied against the credit

in favor of the buyer. However, the buyer or beneficiary of the first credit substitutes his draft and invoice for those presented by the supplier.

In case of local (back to back) L/C TBL, Gulshan Corporate Branch maintains the following procedure:

1. Purchase
2. Forwarding
3. Permission from Head office (H. O)
4. Adjustment
5. Remainder letter
6. Report to Bangladesh Bank (BB)

1. Purchase

At the time of purchase, bank-

- Dollar amounts convert into taka at a current rate or L/C term
- Retain margin (10% of face value)
- Retain service charge
- Creates loans
- Any discrepancy amounts are reducing at the time of purchase.

2. Forwarding

At the time of forwarding bank attested the various document such as-

- Bill of exchange
- Commercial invoice
- Pro-forma invoice
- Packing list
- Inspection of origin

With joint signature, above documents are sending to the buyer's bank for the acceptance. Purchase will be made when acceptance received.

3. Permission from Head office

According to rules, branch should get permission from Head office for bill purchase but in practice branch want permission after the purchase. At the time of permission branch send the following documents to the Head office-

- Bills of exchange invoice, packing list, inspection of origin.
- Parties' previous record about L/C payment.
- Parties loan A/C in bank

4. Adjustment

At the time of adjustment, bank-

- Close loan A/C, which was create earlier.
- Calculate earnings or loss
- Calculate interest when maturity date is over but buyer's bank is unable to pay due amount.
- Close margin.
- Transfer margin amount after necessary adjustment to the beneficiary personal A/C.

5. Remainder Letter

Remainder letter is sent to the buyer's bank for payment when buyer's bank is unable to pay due money at maturity date.

6. Reports to Bangladesh Bank:

Branch report monthly to Bangladesh Bank about local L/C.

4.3 Export Procedures



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 TBL are readymade garments exporters. They open export L/Cs here to export their goods, which they open against the import L/Cs opened by their foreign importers.

Export L/C operation is just reverse of the import L/C operation. For exporting goods by the local exporter, bank may act as advising banks and collecting bank (negotiable bank) for the exporter. TBL also has the capacity to support the exporters of businessman's in 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 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 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 TBL 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.

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.

4.3.1 Steps of Export

Maintain Export L/C Formalities

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 form along with the necessary papers, concerned offices of the Chief Controller of Imports and Exports issues ERC. Once registered, exporters are to make renewal of ERC every year.

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 TBL 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.

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 which 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 step for the exporter is to set about the task of procuring or manufacturing the contracted merchandise.

7. Endorsement on EXP:

Before the export forms are lodged by the exporters with the customs/postal authorities, they should get all the copies endorsed by TBL. Before shipment, exporter submits exp. form with commercial invoice. Then TBL officer checks it properly, if satisfied, certifies the exp. Without it exporter cannot make shipment. The customer must declare all exports goods on the EXP issued by the authorized dealers.

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 Triplicate is reported by the same bank to the same authority.
- d. Quadruplicate: Finally, the negotiating bank as their office copy retains Quadruplicate

8. Shipment of goods:

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

9. Presentation of export documents for negotiation:

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

- a. Bill of exchange or Draft;
- b. Bill of lading
- 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.

10. Cash against Document (CAD) Contract:

In lieu of export LC 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 TBL. 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 TBL.

- 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 TBL").
- 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 his own documents, which were required by the CAD contract.

Exporter presents the documents for negotiation to TBL and request to remit the amount at which he purchased jute form jute mill to the jute mill's bank and credit the rest to his account in TBL.

11. 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.

12. 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, TBL 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 TBL, 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).

Mode Of Payment Of Export Bill Under L/C:

As per UCP 500, 1993 revision there are four types of credit. These are as follows:

- A. Sight Payment
- B. Deferred payment
- C. By acceptance
- D. Negotiation

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 TBL, 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.

C. Acceptance credit:

In acceptance credit, the exporter presents a bill of exchange payable to himself and drawn at the agreed tenure (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.

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. TBL has test key arrangements with so many banks for the authentication of L/C messages and for making payment.

Securitization of master L/C:

- a. Defective Points or Clauses appears 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/Air line 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” clause.
- n. L/C shall expire in the country of the issuing bank.
- o. Negotiation is restricted.

Export Documents Checking:

1. General Verification:

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

2. Particular Verification:

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

3. Cross Verification:

Verified one documents to another.

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. TBL 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

A. Pre-shipment credit:

Pre-shipment credit, at 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.

B. 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:

- I. Negotiation of documents under L/C;
- II. Foreign Documentary Bill Purchase (FDBP);
- III. Advances against Export Bills surrendered for collection.

I. 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 arise 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.

II. 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. Trust Bank Ltd. 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.

III. 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 the 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.

4.3.2 Foreign Remittance Section

On March 24, 1994 Bangladesh Taka was declared convertible for current account International Transaction. As a prelude to this wide-ranging reforms were made in the country's foreign exchange regime to lay the ground for a market environment to induce investment, growth and productivity. Following liberalization under convertibility, most remittances are now approved by the Authorized Dealers themselves on behalf of the Central Bank. Only a few remittances of special nature require Bangladesh Bank's prior approval.

Foreign remittance means remittance of foreign currencies from one place/person to another place/person. In broad sense, foreign remittance includes all sale and purchase of foreign currencies on account of Import, Export, Travel and other purposes. However, specifically foreign remittance means sale & purchase of foreign currencies for the purposes other than export and import. As such, this chapter will not cover purchase & sale of foreign currencies on account of Import and Export of goods.

All foreign remittance transactions are grouped into two broad categories- Outward Remittance and Inward Remittance.

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 and 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 form T.M is used.

A. Private Remittance:

1. Family remittance facility:

- a. Foreign Nationals working in Bangladesh with approval of the Government may remit through an Authorized Dealer 50% of Salary and 100% of leave salary as also actual savings and admissible person benefits. No prior approval of Bank is necessary for such remittance.
- b. Remittance of moderate amounts of foreign exchange for maintenance abroad of family members (spouse, children, parents) of Bangladesh Nationals are allowed by Bangladesh Bank on written request supported by certificate from the Bangladesh Mission in the concerned country.
- c.

2. Remittance of Membership fees/ registration fees etc.

Authorized Dealer may remit without prior approval of Bangladesh Bank, membership fees of foreign professional and scientific institutions and fees for application registration, admission, examination (TOFEL, SAT etc.) in connection with admission into foreign educational institutions on the basis of written application supported by demand notice/letter of the concerned institution.

3. Education:

Prior permission of Bangladesh Bank is not required for releasing foreign exchange in favor/on behalf of Bangladesh students studying abroad or willing to proceeds abroad for

studies. Authorized Dealers shall allow exchange facilities for this purpose according to the following drill:

- I. Application duly filled in by the student as per prescribed format of Bangladesh Bank.
- II. Original and photocopy of admission letter issued by the concerned institution in favor of the student.
- III. Original and photocopy of estimate relating to annual tuition fee, board and lodging incidental expenses etc. issued by the concerned institutions.
- IV. Attested copies of educational certificates of the applicant and
- V. Valid passport.

4. Remittance of Consular Fees:

Consular fees collected by foreign embassies in Bangladesh Taka and deposited in a Taka Account maintained with an AD solely for this purpose may be remitted abroad without prior approval of Bangladesh Bank.

5. Remittance of evaluation fee:

Authorized Dealers without prior approval of Bangladesh Bank may remit evaluation fee on behalf of Bangladeshi desiring immigration to foreign countries for getting educational certificates of the person concerned evaluated by a foreign institution. A demand note of the foreign immigration authority is required for this purpose.

6. Travel:

Private travel quota entitlement of Bangladesh Nationals is set at US\$3000/- per year for visit to countries other than SAARC member countries and Myanmar, Quota for SAARC member countries and Myanmar is US\$1000/- for travel by air and US\$500/- for travel by overland route. Authorized Dealers may release this travel quota in the form of foreign currency notes up to US\$500/- or equivalent and balance exchange in the form of TCs or total quota in the form of TCs the annual quotas mentioned above are for adult passengers. For minors (Below 12 year in age) the applicable quota will be half the amount allowable to adults.

Authorized Dealers may release above travel quota without prior approval of Bangladesh Bank subject to observation and satisfaction of following points-

- i. The intending traveler is a customer of the AD bank or is sufficiently well known to the AD Bank or the intending traveler has paid relevant Travel Tax. The intending traveler has a valid passport.
- ii. The AD should verify and satisfy itself that any foreign exchange released for an earlier travel was utilized with the journey being actually undertaken or was duly encashed/unutilized.
- iii. The intending traveler is in possession of confirmed air ticket for journey to be undertaken and that the intended journey to be undertaken not later than two weeks after the date on which exchange is issued.
- iv. The amount released is endorsed on the passport and air ticket of the traveler with indelible ink, with the signature and the name of the AD branch embossed in the passport and ticket.

However, while issuing foreign exchange to the Diplomats/privileged persons/ UN personnel, Govt. Officials traveling on officials' duties, such endorsement in the passports need not be made.

- v. In each case of release of foreign exchange for travel abroad, photocopies of first six pages of the passports and the page recording endorsement of foreign exchange and photocopies of the pages of ticket showing name of the passenger, route and date of journey and endorsement of foreign exchange along with the relative T.M. form should be sent to Bangladesh Bank along with monthly returns.

7. Health & Medical:

Authorized Dealers without prior approval of Bangladesh Bank may release foreign exchange up to US\$10,000/- for medical treatment abroad on the basis of the recommendation of the medical Board set up by the Head Directorate and the cost estimate of the foreign medical institution.

Applications for release of exchange exceeding US\$10,000/- should be forwarded along with supporting documents to Bangladesh Bank for prior approval.

8. Seminars & workshops:

Without prior approval of Bangladesh Bank AD may release US\$200/- per diem and US\$250/- per diem to the private sector participants for attending seminars, conferences and workshops organized by recognized International bodies in SAARC member countries or Myanmar and in order countries respectively for the actual period of the seminar/workshop/

conference to be held on this basis of invitation letters received in the names of the application or their employer institutional.

9. Foreign Nationals:

- i. The authorized Dealers may issue foreign currency TCs to foreign national without any limit and foreign currency notes up to US\$300/- or equivalent per person against surrender of equivalent amounts in foreign currencies. The TCs and foreign currency notes should however, be delivered only on production of ticket for a destination outside Bangladesh and the amount issued be endorsed on the relative passports.
- ii. Authorized Dealers may allow recon version of unspent Taka funds of foreign tourist into foreign exchange on production of the encasement certificate of foreign currency. Recon version shall be allowed by the same AD with which the foreign currency was encashed earlier. AD should retain the original encashment certificate and relative FMJ forms recon version exceeds US\$5000/-

10. Remittance for Hajji:

Authorized Dealers may release foreign exchange to the intending pilgrims for performing Hajj as per instructions/ circulars to be issued by the Bangladesh Bank each year.

11. Other Private remittance:

Applications for remittances by private individuals for purposes other than those mentioned above should be forwarded to Bangladesh Bank for consideration & approval after assessing the benefices of the purpose of remittance on the basis of documentary evidence submitted by the applicant.

B. Official & Business Travel:

1. Official Visit:

For official of semi officials visits abroad by the officials of govt., Autonomous/Semiautonomous institutions etc., Authorized Dealers may release foreign exchange as per entitlements fixed by the Ministry of Finance from time to time, In such cases, the applicant for foreign exchange shall be required to submit the sanction letter and the competent authority's Order/Notification/Circular authorizing the travel.

2. Business Travel Quota for New Exporters:

Up to US\$6,000/- or equivalent may be issued by an AD without prior approval of Bangladesh Bank to a new exporter for business travel abroad, against recommendation letter from Export Promotion Bureau, Benefices requirement beyond US\$6000/- is accommodated by Bangladesh Bank upon written request through an AD with supporting documents.

3. Business Travel Quota for Importers and Non-exporting producers:

- i. Subject to annual upper limit of US\$5000/- importers are entitled to a business travel quota @ 1% of their imports settled during the previous financial year.
- ii. Subject to annual upper limit of US\$5000/- non exporting producers for the local markets are entitled to a business travel quota @ 1% of their turnover of the proceeding financial year as declared in their tax returns.

The same business organization engaged in imports as well as production shall however; draw business travel quota entitlement only on one count.

4. Exporters' Retention Quota:

- i. Merchandise exporters may retain up to 40% of realized FOB value of their exports in foreign currency accounts. However, for exports of goods having accounts. However, for exports of goods having high import content (such as readymade garments, POL products including naphtha, furnace oil bitumen, electronic goods etc.,) the retention quota is 7.5% of the repatriated FOB value.

Fund from these accounts can be used to meet benefices business expenditure, such as business visits abroad, participation in export fairs and seminars, establishment and maintenance of office abroad, import of raw materials, machinery and spares etc. without prior approval of Bangladesh Bank.

Exporters may at their option, retain the foreign currency in interest bearing renewable term deposit accounts with Authorized Dealers in US Dollar, Pound Sterling DM or Japanese Yen with a minimum account of US\$2000 or Pound 1500/-

- ii. Service exporters (excluding indenting commission or agency commission of indenting house of buying house respectively) may retain 5% of their repatriated income in foreign currency accounts or as renewable time deposits with Authorized Dealers, Funds from these accounts can be used to meet expenses for benefices business travel abroad.

C. Commercial Remittances:

1. Opening of branches or subsidiary companies abroad:

Remittance of up to US\$ 30,000/- or equivalent per annum may be released by the Authorized Dealers without prior approval of Bangladesh Bank to meet current expenses of offices/branches opened abroad by resident in Bangladesh or Commercial/Industrial concern incorporated in Bangladesh.

Such remittance may only be made in the names of concerned offices/subsidiary companies abroad subject to examination of following papers:

1. Approval letter of the competent authority of the country concerned for opening the office in that country copy of report submitted to Bangladesh banks, as per prescribed format, within one month of opening of foreign branches/subsidiaries:

Before effecting remittances for subsequent years the Authorized Dealers shall verify the renewed lease agreement (if applicable and shall satisfy itself about the actual necessity of remitting funds by examining the actual and/or estimated incomes and expenses of the offices/subsidiaries abroad as revealed from the its audited accounts and the other papers/vouchers.)

2. Remittance by shipping companies airlines & courier service:

Foreign Shipping Companies, airlines and courier service companies may send, through an AD, funds collected in Bangladesh towards freight and passage after adjustment of local cost & Taxes, if any without prior approval of Bangladesh Bank.

3. Remittance of Royalty and technical fees:

No prior permission of the Bangladesh Bank or BOI is required by the enterprises for entering into agreement involving remittance of royalty, technical know-how or technical assistance fees, operational services fees, marketing commission etc., if the total fees and other expenses connected with technology transfer do not exceed.

a) 6% of the cost of imported machinery in case of new projects.

b) 6% of the previous year's sales as declared in the income tax returns of the ongoing concerns.

The Authorized Dealers may remit such royalty and other fees without prior approval of Bangladesh Bank.

Royalty and other fees beyond the rate mentioned above may be remitted by the Authorized Dealers without prior approval of Bangladesh bank provided specific approval of BOI has been obtained by the applicant company.

4. Remittance on account of training & consultancy:

Industrial enterprises producing for local market may remit through Authorized Dealers up to 1% of their annual sales as declared in their previous years' tax return for the purpose of training and consultancy services as per relevant contract with the foreign trainer/consultant, without prior approval of Bangladesh Bank.

5. Remittance of profits of foreign firms/branches:

Authorized Dealers may without prior Bangladesh Bank approval remit abroad the post tax profits of branches of foreign firms and companies including foreign banks & other financial institutions subject to submission of relevant documents/information along with the application.

6. Remittance of Dividend:

Prior permission of Bangladesh Bank is not required for:

- i) Remittance of dividend income to non-resident shareholders on receipt of application in the prescribe form from the companies concerned.
- ii) Remittance of dividend declared out of previous years' accumulated reserves.

7. Subscriptions to foreign media services:

On application from the local newspapers, Authorized Dealers may remit foreign exchange towards cost of subscription of news items, features, articles of foreign news agencies subject to submission of (1) contracts entered into between the applicant and the foreign news agency and (2) NOC of the Ministry of Information.

8. Costs/for Reuter monitors:

Authorized Dealers may remit abroad costs/fees on account of their own subscription to foreign media services such as Reuter monitor service, without prior approval of Bangladesh Bank.

9. Advertisement of Bangladeshi Products in mass media abroad:

Prior permission of Bangladesh is not required by the Authorized Dealers for remittance of charges for advertisement of Bangladeshi commodities in mass media abroad subject to submission of Invoice from the concerned foreign mass media along with the applications of the remitter. The applicant will have to submit copy of the advertisement to the Ad within one month of this issuance.

10. Bank charges:

The Authorized Dealers may affect remittances towards settlement of dues to foreign banks of bank charges, cost of cables and other incidental charges arising in their normal course of the business without prior approval of Bangladesh Bank.

D. Accounting Mechanism:

1. Issuance of Draft, T. T. etc.

a) Against BD. Taka:

Dr. Cash from customer or customers CD/SB account for F.C Amount @ T.T. & OD Selling plus amount of charges as per schedule.

Cr. TBL General A/C H.O (ID) for FC amt @ B. Bank ready selling.

Cr. Income A/C Exchange Gain on F.C (Difference amount between T.T. & O.D Selling & B. Bank ready selling amount)

Cr. Income A/C: Commission on T.T./D.D foreign as per schedule of charges.

b) For F. C A/C of the customer:

Dr. Customers F. C A/C for FC amount Prevailing-holding rate of F.C. Balance.

Cr. TBL General A/C H.O (ID) for FC amount @Prevailing holding rate.

Dr. Customers Taka A/C or cash from Customer for charges as per schedule.

Cr. Income A/C Commission on T.T/D.D foreign for charges schedule.

2. Issuance of Travelers' cheque:

A. Against BD. Taka:

Dr. Cash from Customer or Customers CD/SB account for F.C amount @ T.C Selling plus commission & charges as per schedule.

Cr. T.C. issued @ B. Bank selling rate.

Cr. Income A/C: Exchange Gain on F.C (Difference amount between T.C selling & B. Bank ready selling amount)

Cr. Income A/C: commission on T.C as per schedule of charges.

B. For F.C Account of the Customer:

Dr. Customers F.C account for F.C amount @ Prevailing holding rate of F.C balance

Cr. T.C issued @ prevailing holding rate of F.C balance.

Dr. Cash from Customer or CD/SB A/C for charges as per schedule.

Cr. Income A/C: Commission on T.C. as per schedule of charges.

3. Issuance of F.C Notes:

Dr. Cash from Customer or CD/SB account for F.C amount @ Cash selling rate plus commission & charges as per schedule.

Cr. F.C. In had Account for F.C amount @ Cash selling rate.

Cr. Income A/C: commission on F.C as per schedule of charges.

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 exports 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 from probable loss as well as safety of the Bank officials concerned.

Accounting Mechanism:

1. Encashment of Travelers' Cheque:

a) For Payment in Taka Counter value:

Dr. FBP Clean A/C for F.C. Amount @ Tk. C. Buying.

Cr. Cash A/C for payment to Customer for F.C. Amount @ T.C. Buying less charges.

Cr. Income A/C: Postage as per schedule of charges.

On realization of proceeds in Nostro A/C:

Dr. TBL General A/C: HO (ID) for F.C amount @ B. Bank ready buying.

Cr. FBP clean for outstanding amount

2. Purchased of Foreign Currency Notes:

a) For payment in Taka Counter value:

Dr. F.C in hand account for F.C. amount @ Cash F.C. Buying.

Cr. Cash A/C for payment to customer for F.C. Amount at same rate.

b) For credit to F.C Account:

Dr. FC in hand Account for F.C. amount @ Cash F.C buying

Cr. Customers F.C. Account @ T.T clean buying

Cr. Income A/C: Exchange gain on F.C. (the difference amount between above two).

3. Encashment of T.T.

a) For payment in Taka Counter value:

Dr. TBL General A/C: HO (ID) for F.C amount @ B. Bank ready buying.

Cr. Customers' CD/SB/A/c or payment order for F.C Amount @ T.T. Clean buying less commission and charger as per schedule.

Cr. Income A/C. Exchange Gain on F.C. (The difference amount between B. Bank ready buying and T.T. Clean buying amount).

Cr. Income A/C: Commission T.T. Foreign.

b) For Credit to F.C account:

Dr. TBL General A/c: HO (ID for F.C amount @ T.T. clean buying)

Cr. Customers F.C Account at the same rate.

Dr. Customers CD/SB Account for charges as per schedule.

Cr. Income A/C: Commission T.T. Foreign.

4. Purchase & Collection of Foreign Draft:

a) Purchase for payment in Taka Counter value:

Dr. FBP Clean A/C: for F.C. amount @ O.D. Transfer Buying

Cr. Cash A/C: for payment to customer @ O.D. Transfer less commission And charges as per schedule.

Cr. Income A/C: commission on F. Bills as per schedule

Cr. Income A/C: Posted as per schedule

On realization of proceeds in Nostro A/C:

Dr. TBL General A/C: HO (ID) for F.C. Amt@ B. Bank ready buying.

Cr. FBP Clean A/C for outstanding amount.

Cr. Income A/C: Exchange Gain on F.C (the difference between above two)

b) For collection without purchase:

Dr. Customer's Liability: Foreign bill lodge A/C for F. C. amount @ O.D transfer buying.

Cr. Banker's liability; Foreign bills for collection A/C for F.C amount at the same rate.

On realization of proceeds in Nostro A/C.:

Reversal vouchers of above contra liability:

Dr. TBL General A/C: for F.C Amount@ B. Bank ready buying.

Cr. Customers A/C for F.C amount @ O.D transfer buying less commission & Charges as per schedule.

Cr. Income A/C: Exchange Gain on F.C (The difference between B. Bank Ready Buying & O.D. transfer amount)

Cr. Income A/C: commission as per schedule.

Cr. Income A/C: Postage as per schedule.

4.4 Contribution of Foreign Exchange Business in the overall profit of Trust Bank Limited



4.4.1 Contribution of Foreign Exchange Business

In conformance with instruction of Bangladesh Bank all gains or losses arising on conversion of foreign currencies in hand into local currency due to re-fixation of rate(s) are kept in equivalent Taka in a separate fund account called exchange equalization fund. Foreign currency transactions related to depositors are converted into Taka using exchange rates. Upon realization of the transactions, any gain is credited or loss is charged to the profit and loss account. At the balance sheet date the monetary assets and liabilities are re-converted to Taka using exchange rates prevailing on that date.

The overall foreign exchange business of TBL is growing higher year after year. Income/earnings from foreign exchange business contribute a lot in the overall profit of the Bank. The Bank earns a lot from foreign exchange business through following head of accounts:

1. Commission on L/C
2. Commission on L/G
3. Commission on Bills
4. Commission on Export Bills
5. Commission on DD, TT, Pay Order etc.
6. Commission on Travelers Cheque
7. Commission on Foreign Remittance
8. Commission on Foreign Correspondents
9. Commission on Acceptance

10. Commission on Miscellaneous (Foreign Exchange)
11. Exchange Gain on Foreign Bills Purchased
12. Exchange Gain on Foreign Currencies
13. Exchange Gain – Others
14. Advising/Transfer of Export L/C Charge
15. Handling charges – Discrepant Import Documents
16. indemnity of Shipping Guarantee Charge
17. Issuance of Cash FC
18. Cancellation of FC Draft
19. Miscellaneous Foreign Exchange Income etc.

4.4.2 Import:

For the period of first three quarters of current FY2012, import payment soared to USD 26,944.5 million which is 11.22% higher than last year. Year-on-year, our import payment increased 41.79% in FY2011. Cost of import soared high due to higher oil price in international market and rising demand for oil for recently established power plant. Countervailing effect is seen as central bank discouraged import of items not critical for national growth. We see import of petroleum & related goods registered growth of 49.63%, Capital Machinery 19.82%, Industrial Raw Material 12.61% and Consumer goods 14.12%.

4.4.3 Export:

Our export increased by 10.36% in first nine months of FY2014 amounting USD 17,886.06 million. Among export items, Oven, Knit, Frozen foods and Leather goods registered growth of 19.24%, 5.92%, 6.26% and 12.63% respectively. Export items that declined include Raw Jute 25.88% and other Jute related products 12.49%. Entrepreneurs are getting assistance as a part of government's declared incentive package for export basket diversification and searching for new market for export.

4.4.4 Foreign Remittance:

In first ten months of current fiscal (July – April 2014), remittance achieved growth of 10.41% from the same period last year amounting USD 10,614.14 million. In FY2011, it was 6.03% amounting USD 11,650.32 million. Our manpower exports for FY2012 (July-January) increased by 3.84 Lac which is 74.05% higher than corresponding period of the previous year. Partly this is due to our Government's recent steps to open Labor Wing at our foreign embassy as part of our diplomatic effort to create new market for our manpower in Africa,

East Europe and Latin America. On the external front, gross foreign reserves were US\$ 12.8 billion in end of December 2014 which is equivalent to about 4 months of import cost. The Taka: USD exchange rate has remained largely stable with the Taka appreciating by 2.6% between 1 July 2012 & 31 December 2014

4.4.5 Future Development:

TBIL is actively working in developing the existing “Research Cell” into an effective “Research Unit” to strengthen and build the TBIL as a Merchant Bank of International Standard. Strong research unit for future growth and capacity building is a must which will also help us in introducing new products for the market.

Findings

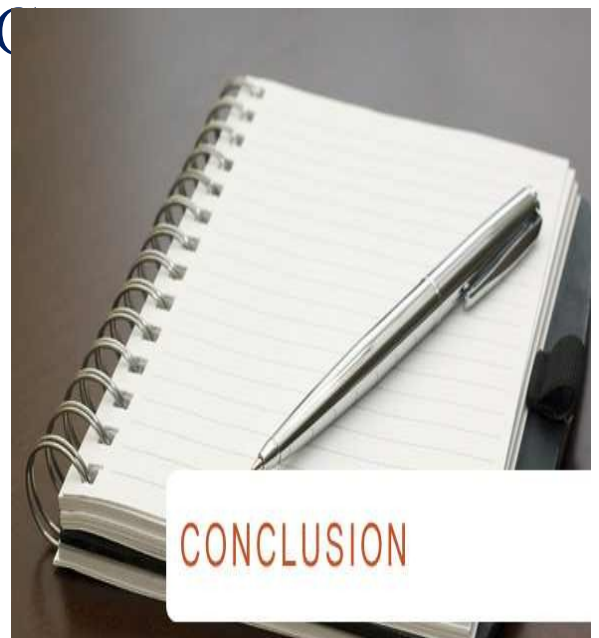
Foreign exchange department is the sensitive department, Foreign exchange department mainly deals with corporate client, who are the big customer for the bank. Sometimes bank cannot give so many opportunities to them due to government restriction. That’s is why bank sometime facing some problem. Foreign exchange department is the profitable center of the

bank. The major finding about the letter of credit & foreign exchange department of the Trust Bank Ltd. Are as follow:

- Foreign exchange department are comparatively small in kawran Bazar Branch. Only three officer operate this department.
- Foreign exchange department are not able to open the large amount latter of credit (L/C).
- Lack of manpower in Foreign exchange department.
- Lack of promotion to expand the Foreign exchange department.
- Government new regulation like as L/C margin reduces the Foreign exchange transaction.
- Strict controlling of the central bank in foreign currency endorsement.
- Letter of Credit (L/C) assures payment on the basis of documents along, not on the goods or services to which it may refer.



e: C



Conclusion

Modern Commercial Banking is exacting business. The reward are modest, the penalties for bad looking are enormous. And Commercial banks are great monetary institutions, important to the general welfare of the economy more than any other financial institution. It has a vastly sobering and exacting responsibility.

Trust Bank Limited is playing a vital role in financing import and exports of the country. Without Bank's co-operation, it is not possible to run any business or production activity in this age. Exports and import need finance in various stages of their activities. There are lots of risks involved in foreign business. So, Trust Bank Limited has to clearly justify the customers from a neutral point and gather the current information about the market.

It is quite evident that to build up an effective and efficient banking system to the highest desired level, computerized transaction is a must. Though there are some drawbacks in implementing foreign exchange business facilities in TBL, as per manual and guidelines from Bangladesh Bank it can be further developed in the light of the recommendation being discussed below.

Trust Bank Limited has established itself as premier and efficient one in innovating new financial products and services and in grabbing the market in which it operates. Banking is a service-oriented marketing and its business profit depends on its product, service, quality etc.

Chapter Six: Recommendation

Recommendations

Through kawran Bazar Branch providing a very efficient service there is also room for improvement to provide their services even better and international standards. After a through analysis of the foreign exchange procedures and practices, it is evident that banking procedures and activities are completely structured in Trust Bank Ltd. That is why there exist little opportunity to discover any flaws in these procedures and practices. However, based on my everyday observation and perception, I would like to give my personal opinion about some facts that might help Trust Bank Ltd., kawran Bazar Branch to enhance its performance as well as success. Some recommendations that the Bank may benefit from are..

- Upgrade service like Letter of Credit(L/C) opening procedure and margin requirement may be relaxed for Trust Bank customer.
- Trust Bank has already brought software called FLORA, famous core banking software. It may more easy, service would be more better.
- Increase the Nostro Account
- Increase the limite on Letter of Credit (L/C)
- Encourage to open smaller Letter of Credit (L/C) value.
- To attract more clients, the Bank should create a new marketing strategy, which will enhance the foreign exchange business.
- Bank can provide foreign market reports to the customers (exporter) so that they will be able to understand the demand of their products in the foreign countries.

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