

Project Program



On

Commercial Banking Operation of Southeast Bank Limited

Submitted To:

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**Commercial Banking Operation
of
Southeast Bank Limited**

April 27, 2007

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Subject: Submission of project program.

Dear Sir

I, Zaki Azad Khan, have completed my project work on Southeast Bank Limited. I have made the project report on “**Commercial Banking Operation of Southeast Bank Limited**” I have prepared this report based on my experience in three months project work period of the course of BBA Program.

I appreciate if you kindly accept my report and excuse my due – falls (if any).

Respectfully Yours,



(Zaki Azad Khan)

ID# 2002-2-10-011

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PREFACE

A project program is arranged to bridge the gap between theory and practice. Without theoretical knowledge practice can not yield expected results. On the other hand, without practical knowledge theoretical one has no meaning. Realizing this, Dept. of Business Administration has been arranged a three month internship program. As part of my project program, I have been sent to the Southeast Bank Limited, Dhaka to acquaint with the practical situation prevailing at the time of accomplishment of the activities lying with the general banking and foreign exchange.

The report is like an abstract of all that I have learned during the practical period. I have tried my best to make this report meaningful. I hope that this report would be able to portray the overall achievement of my project program as well as some indications to the management of the SOUTHEAST BANK LIMITED.

I shall be glad if this report serves its purpose effectively and efficiently.

Forgive me for the errors that might have crept in spite of the best of my efforts.

EXECUTIVE SUMMARY

The financial institutions that support people at the time of necessary are bank. Bankers deal with two sensitive things of the society, Men and Money. So all the banks should be top quality in all aspects of professional life to ensure highest service to its customers. This report will give a clear idea about the General Banking and Foreign Exchange activities of the bank.

Though there is some present limitations, SEBL has tremendous potentiality and prospect in Bangladesh.

A practical part of BBA course I give my emphasis on preparation of project report on Commercial Banking Operation of Southeast Bank Limited. The SEBL is a pioneer private bank in Bangladesh.

This report has been prepared by a careful review of existing literature and personal interview to various executives of the bank. I have tried my best to make this report in a standard form.

April 27, 2007

To

KAZI KHALED SHAMS CHISTY

Project Work Supervisor,

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An overview of the Banking System in Bangladesh

The banking system at independence consisted of two branch offices of the former State Bank of Pakistan and seventeen large commercial banks, two of which were controlled by Bangladeshi interests and three by foreigners other than West Pakistanis. There were fourteen smaller commercial banks. Virtually all banking services were concentrated in urban areas. The newly independent government immediately designated the Dhaka branch of the State Bank of Pakistan as the central bank and renamed it the Bangladesh Bank. The bank was responsible for regulating currency, controlling credit and monetary policy, and administering exchange control and the official foreign exchange reserves. The Bangladesh government initially nationalized the entire domestic banking system and proceeded to reorganize and rename the various banks. Foreign-owned banks were and the rate on industrial loans was even worse. As a result of this poor showing, major donors applied pressure to induce the government and banks to take firmer action to strengthen internal bank management and credit discipline. As a consequence, recovery rates began to improve in 1987. The National Commission on Money, Credit, and Banking recommended broad structural changes in Bangladesh's system of financial intermediation early in 1987, many of which were built into a three-year compensatory financing facility signed by Bangladesh with the IMF in February 1987.

One major exception to the management problems of Bangladeshi banks was the Grameen Bank, begun as a government project in 1976 and established in 1983 as an independent bank. In the late 1980s, the bank continued to provide financial resources to the poor on reasonable terms and to generate productive self-employment without external assistance. Its customers were landless persons who took small loans for all types of economic activities, including housing. About 70 percent of the borrowers were women, who were otherwise not much represented in institutional finance. Collective rural enterprises also could borrow from the Grameen Bank for investments in tube wells, rice and oil mills, and power looms and for leasing land for joint cultivation. The average loan by the Grameen Bank in the mid-1980s was around Tk2,000 (US\$65), and the maximum was just Tk18,000 (for construction of a tin-roof house). Repayment terms were 4 percent for rural housing and 8.5 percent for normal lending operations.

The Grameen Bank extended collateral-free loans to 200,000 landless people in its first 10 years. Most of its customers had never dealt with formal lending institutions before. The most remarkable accomplishment was the phenomenal recovery rate; amid the prevailing pattern of bad debts throughout the Bangladeshi banking system, only 4 percent of Grameen Bank loans were overdue. The bank had from the outset applied a specialized system of intensive credit supervision that set it apart from others. Its success, though still on a rather small scale, provided hope that it could continue to grow and that it could be replicated or adapted to other development-related priorities. The Grameen Bank was expanding rapidly, planning to have 500 branches throughout the country by the late 1980s.

Beginning in late 1985, the government pursued a tight monetary policy aimed at limiting the growth of domestic private credit and government borrowing from the banking system. The policy was largely successful in reducing the growth of the money supply and total domestic credit. Net credit to the government actually declined in FY 1986. The problem of credit recovery remained a threat to monetary stability, responsible for serious resource misallocation and harsh inequities. Although the government had begun effective measures to improve financial discipline, the draconian contraction of credit availability contained the risk of inadvertently discouraging new economic activity.

Foreign exchange reserves at the end of FY 1986 were US\$476 million, equivalent to slightly more than 2 months worth of imports. This represented a 20-percent increase of reserves over the previous year, largely the result of higher remittances by Bangladeshi workers abroad. The country also reduced imports by about 10 percent to US\$2.4 billion. Because of Bangladesh's status as a least developed country receiving concessional loans, private creditors accounted for only about 6 percent of outstanding public debt. The external public debt was US\$6.4 billion, and annual debt service payments were US\$467 million at the end of FY 1986.

An Overview of the activities of Southeast Bank Limited

Southeast Bank Limited—one of the fast growing second generation private sector Banks came into being in 1995 with a view to stand out as a pioneer banking institution in the country and contribute significantly to the national economy. The Bank was established under Bank Company Act 1991 and incorporated as a public limited company under the Companies Act 1994 on March 12, 1995. The Bank started commercial banking operations from May 25, 1995 with an initial authorized capital of Tk.500.00 million and paid up capital of Tk.100.00 million. The Authorized capital of the Bank stands Tk.2500.00 million and the Equity Fund (Capital and Reserve) stands Tk.2236.84 million which includes paid up capital of Tk.1056.37 million and Reserve Fund of Tk. 1180.47 million as on December 2005.

The sponsors of the Bank are the leading business personalities and eminent industrialists of the country having stakes in various segments of the national economy. Currently, Mr. Alamgir Kabir, FCA, a professional Chartered Accountant, is the Chairman of the Bank. Mr. Neaz Ahmed, Managing Director of the Bank is an eminent banker of the country who has twenty-nine years' experience in both foreign and local private sector banks to his credit.

The Bank has successfully stepped into the twelfth year of operations having enjoyed the complete confidence of the depositors and achieving significant growth in the entire areas of banking operations. The Bank has a deposit base of Tk.38, 258.00 million and loan portfolio of Tk.32, 551.00 million in the year 2005 which posted a growth of 37% and 48% respectively. During the year 2005 the Bank has earned operating profit of 1,473.00 million, which is, 82% higher compared to the previous year. During the last 6 years (1999-2005) the average growth of deposits and advances were 33% and 37% respectively, which was 20% in case of import business, 72% in export business and 36% in guarantee business. During the period, shareholders equity grew at the rate of 40%. The Bank has created good employment opportunities for fresh / educated youth with an average employment growth of 10%. The Bank always fulfills the provisioning requirements as set by Bangladesh Bank reflecting sound financial health and discipline.

The Bank is presently operating with 31 branches including 5 Islamic banking branches and plans to expand more new branches in the near future in important business hubs including rural growth-centres with solution-driven high quality banking and financial services to contribute towards expansion of trade and commerce / industry and agriculture for balanced growth and economic prosperity of the country.

- ◆ The consistent and increasing growth trend of the above mentioned performance indicators has increased depositors' confidence as well as goodwill / reputation of the Bank to a great extent and these have contributed to increase the shareholders value. The Bank focuses on building high-quality human resources with expertise and professional skills adopting the Human Resources Re-engineering and Development Plans with a view to creating an excellent clientele service environment for ultimate achievement of sustained profit growth making no compromises with the quality asset creation. The Bank's Human Resource Development strategy is to build up quality manpower with conceptual/ managerial knowledge, skills through designing/ arranging of continuous in-house and outside training programs.
- ◆ The Bank focuses on customer - friendly marketing approaches by offering various deposit schemes with products diversification and market segmentation ensuring efficient delivery of personalized banking services at the clients door steps and caters to the ever-growing financing needs of clientele at a competitive price The Bank introduced "On-Line Any Branch Banking" to facilitate customers to draw / deposit money / do businesses from any of the Branches irrespective of locations.
- ◆ The Bank has been successful in operations of business as a financial intermediary and generated highest per Branch profit with a significantly high level of employee productivity and is being rated as a solid Bank in the CAMEL rating of Bangladesh Bank. The company philosophy to workout best solutions for customers' financing needs have positioned the Bank as being perceived by the customers and clients as a business and customer friendly Bank.

Vision:

To stand out as a pioneer banking institution in Bangladesh and contribute significantly to the national economy.

Mission:

- ◆ High quality financial services with the help of the latest technology.
- ◆ Fast and accurate customer service.
- ◆ Balanced growth strategy.
- ◆ High standard business ethics.
- ◆ Steady return on shareholders' equity.
- ◆ Innovative banking at a competitive price.
- ◆ Attract and retain quality human resource.
- ◆ Firm commitment to the society and the growth of national economy.

Comments to Clients

Southeast Bank Limited is a customer friendly banking institution thriving fast in both earning and ability to stand out as a leading banking institution in Bangladesh. The Bank delivers unparalleled financial services with the touch of our heart to Retail, Small and Medium Scale Enterprises (SMEs), Corporate, Institutional, Governmental and individual clients through the outlets of branches across the Country. Bank's business initiatives center on the emerging needs of the clients. Bank's commitments to the clients are the following:

- ◆ Provide service with high degree of professionalism and use of most modern banking technology.
- ◆ Create life-long relationship based on mutual trust and respect.
- ◆ Respond to customer needs with speed and accuracy.
- ◆ Share their values and beliefs.
- ◆ Grow as the Bank's customers grow.
- ◆ Offer first-rated solutions of clients' banking problems and issues.
- ◆ Provide products and services at competitive pricing.

Management Hierarchy

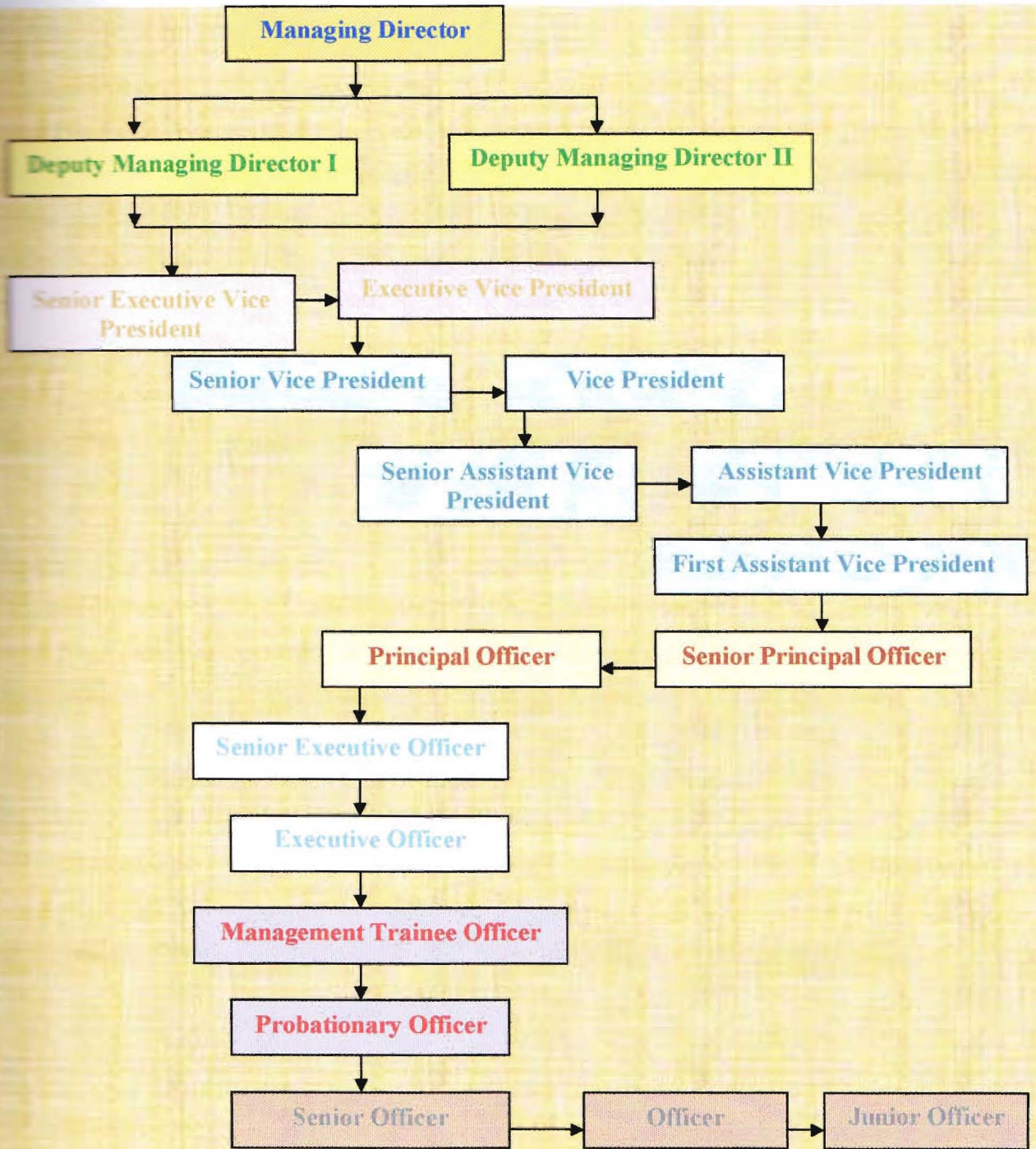


Figure: Management Hierarchy, SEBL

Divisions and Departments of SEBL

If the jobs are not organized considering their interrelationship and are not allocated in a particular department it would be very difficult to control the system effectively. If the departments are not fitted for the particular works there would be haphazard situation and the performance of a particular department would not be measured. **Southeast Bank Limited** has done this work very well. Different departments of **SEBL** are as follows:

Audit & Inspection Department

A vice president and authorized workers are working directly under the control of managing directors' head this department. The department is responsible to arrange periodical internal audit, conduct special audit, follow up, monitoring the banks overall activities.

Treasury Operation Unit

This unit performs the works of money market operation. They borrow and lend money on call basis. An assistant vice president is working under direct supervision of the Managing Directors head this unit.

Personnel Department

This department is assigned to the responsibilities of recruitment, posting, transfer, promotion and development of human resources of the bank. They also maintain service record of the employees, take disciplinary action, look for the employee's welfare, salary reconciliation, specimen signature etc. Presently an Assistant Vice President heads the department.

Development Department

This department is responsible for maintaining and enhancing standard of customer service mobilizes deposits for the bank and deal public relation affairs.

Central Account Departments

This department is maintaining all sorts of accounts of a bank, performs fund management, management information system, expenditure control etc. A Vice President presently heads the department.

Establishment Department

They procure and supply dead lock such as furniture, machinery, equipment, stationary, and vehicles, render some other common services and control central dispatch service.

Computer and Engineering Department

This department is assigned to lead the computerization of the bank. They procure and maintain computer hardware and software and to conduct computer training for the employees.

Branches control Department

The main responsibilities of this department are to maintain inter branch accounts and maintaining everything of all the branches.

Operation Wings

This is the focal point of every bank because the main income generation activities of loans, advances and investment are directed within this wing.

Credit Division

This division is one of the most important divisions of a bank because this division controls all loans and advances.

Investment Division

One of the main objectives of the bank is to take part of the capital market and Money market in the country. To achieve this objective the bank established a separate investment division in which several departments are working.

International Division

International division of Southeast Bank Limited performs the responsibilities of foreign trade and foreign remittance on behalf of its branch.

Import Department

The import department deals with all the issues regarding opening, lodgment and payment of import letter of credit.

Export Department

This department deals with the matters relating to export such as advising, negotiation export documents etc.

Training Institution

Southeast Bank limited training institution was set up in July 2,1998 with the aim to mould up a strong and skilled workforce. This institution is located at 1, Dilkusha C/A, Dhaka-1000

INTRODUCTION

1.1 Origin of the report:

The BBA *project* program is a required course for the students who are graduating from the Business Administration Department of East West University. It is a 4 credit hour course with duration of 12 weeks. Students who have completed all the required courses are eligible for the course.

In the *project* program, I was attached to a host organization works with the help of the internal supervisor. As a result I have decided to make a report on “**Commercial Banking Operation of Southeast Bank Limited**”. I’ve prepared the report and finally submitted to my supervisor on August 24, 2006.

1.2 Background of the report:

Banking is one of the most important sectors for a country’s wealth building activities. At present the modern business industrialization, foreign trade almost is dependent on banks. But now a day the Banking sector of Bangladesh is suffering the disease of default culture which is consequence or result of bad performance of most of the banks in Bangladesh.

Southeast Bank Limited playing an important role towards the growth and economic development of Bangladesh.

This study is an attempt to produce a constructive report performance of **Southeast Bank Limited**.

I am working in the Head office of Southeast Bank Limited.

1.3 Objective of the report:

The study has been undertaken with the following objectives:

The main objective of education is to acquire knowledge. To acquired knowledge ultimately we must do some practical application in addition to theoretical knowledge. Through this report, I used my level best to present my practical knowledge as well as to find out-

- ◆ To get an overall idea about the Commercial Banking Operation of Southeast Bank Limited.
- ◆ To fulfill the requirement of the internship program under BBA program

1.3.1 General objective

- ◆ To gain Practical job experiences and view the application of theoretical knowledge in the real life.

1.3.2 Project objective

- ◆ To know Southeast Bank Limited (Head Office)'s General banking activities.
- ◆ To know Southeast Bank Limited (Head Office)'s Foreign Exchange activities.
- ◆ To suggest ways of improving the commercial banking operation standard that accommodates a rapidly growing customer volume.

1.4 Scope

This report does not cover the entire banking operation of **Southeast Bank Limited**. As I worked at the Training Institute of **Southeast Bank**, so my main concern was the Commercial banking operation of Southeast Bank Limited. This study attempts to Banking Operation of Southeast Bank Limited (Head Office). Most of the primary information has been collected through the tabulation work. This study briefly highlights Commercial Banking Operation of Southeast Bank Limited (Head office).

1.5 Methodology

Mainly I have collected data from two sources.

These two sources are as following.

- ◆ Primary source

- ◆ Secondary source

The primary sources of my information are as below-

- ◆ Direct observation
- ◆ Expert opinion
- ◆ Questioning the concerned persons.

The secondary sources of my information are as below-

1. Annual report of SEBL.
2. Desk report of the related department
3. Other manual information
4. Different reference books of the library
5. Some of my course elements as related to this report.

The following methodology will be followed for the study

Both primary and secondary data sources will be used to generate this report. Primary data sources are scheduled survey, informal discussion with professionals. The secondary data sources are annual reports, manuals, and brochures of Southeast Bank Limited and different publications of Bangladesh Bank.

1.6 Data sources:

Data has been collected from the existing department of Southeast Bank Limited. Information was also collected from the different publication, and books. For collecting books and periodicals I have used the following library:

SEBL Library

BIBM Library

Bangladesh Bank Library

2.7 Limitations of the Study

- Lack of *comprehension* of the respondents was the major problem that created much confusion regarding verification of conceptual question.
- *Limitations* of time were one of the most important factors that shortened the present study. Due to time limitation many aspects could not be discussed in the present study.
- *Confidentiality of data* was another important barrier that was faced during the conduct of the study. Every organization has their own secrecy that is not revealed to others. While collecting data on Southeast Bank Limited (Head Office), personnel did not disclose enough information for the sake of confidentiality of the organization.
- *Rush hours and business* was another reason that acts as an obstacle while gathering data

GENERAL BANKING

General Banking is designed to provide financial service to the general people in saving their money, smoothing transaction for businessman and ensuring security of the precious wealth of the clientele. Under general banking the Southeast Bank Limited provides various kinds of accounts. Different aspects of General Banking are briefly discussed through out this chapter.

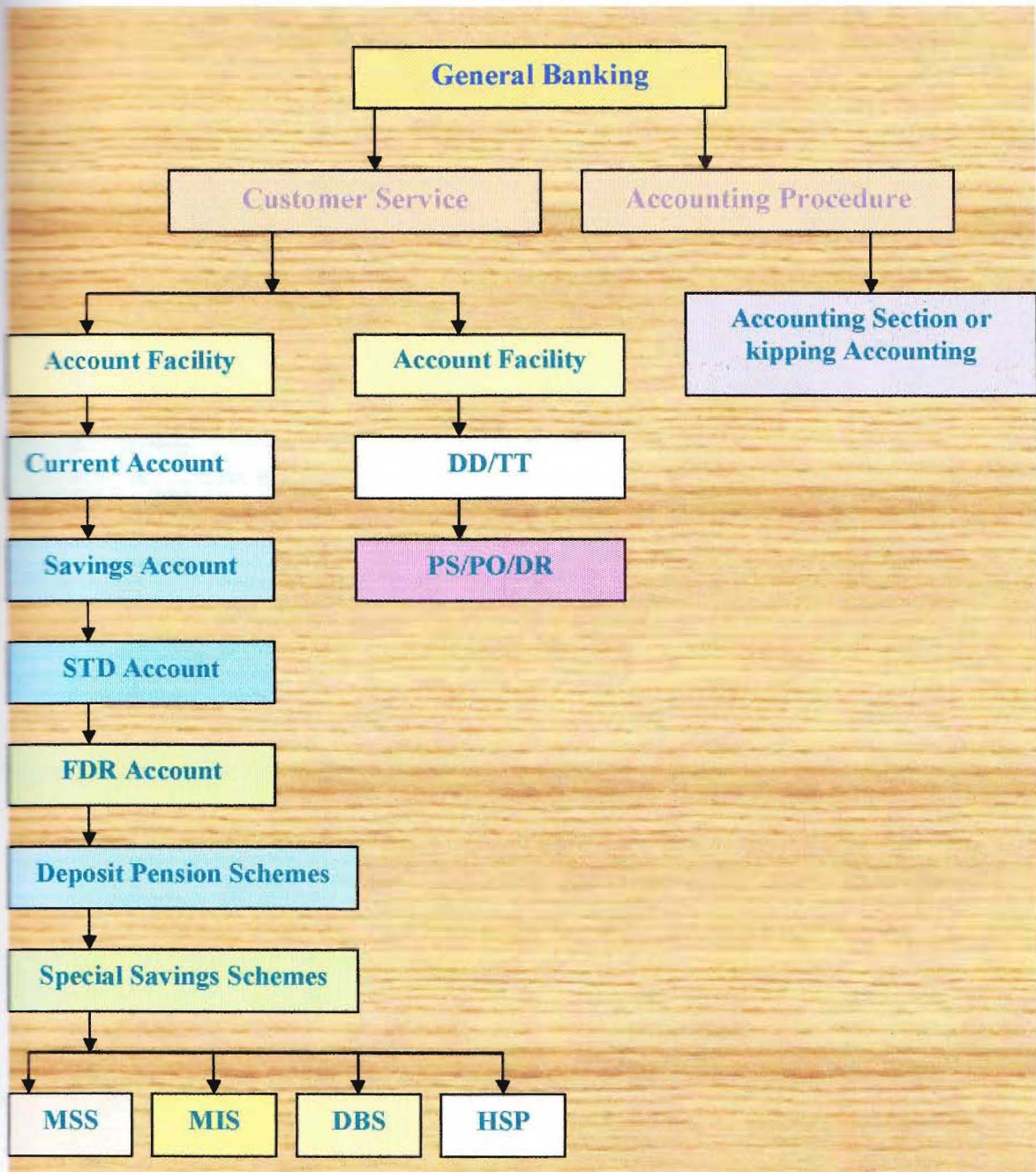


Figure: General Banking, SEBL

CHAPTER-I

Operational Procedures of Different Deposit Accounts

1.1 Types of Deposit Accounts

The Bank offers the following types of accounts to its various types of customers:

- Current Account.
- Savings Account.
- Short Term Deposit
- Fixed Deposits
- Special Purpose Deposit (Savings Scheme) Account/ Deposit Pension Schemes (DPS)

1.1.1 Current Account

- A Current Account is opened with a minimum balance of Tk. 5, 000.00.
- A Current A/c is opened with an initial cash deposit.
- Minimum balance to be maintained in Current Account is Tk.5000/-.
- Frequent transactions (both deposits and withdrawals) are allowed in the account.
- Cheque book is issued to the account holder having a minimum balance of Tk.5000/- in the account.
- A Current Account holder can draw cheques on their accounts for any amount and any number of times in a day subject to the availability of balance.
- No interest shall be allowed on Current Accounts.
- Statements of account is to be dispatched to all Account Holders by the Bank on a monthly/quarterly/half yarely basis as per desire of the customers to be specified in the A/c opening form while opening an A/c.
- A Current Account can be overdrawn subject to arrangement.
- The Bank reserves the right to refuse or close any account without assigning any reason thereof.
- Every change of address shall be intimated to the Bank.

11.2 Savings Account

- Savings Bank Account is opened in the name of adult individual or jointly in the names of two or more persons payable either or both or all of them or to the survivor or survivors.
- Savings Account is opened in the names of Clubs, Associations and similar Institutions.
- A savings A/c is opened with an initial cash deposit.
- No person shall be allowed to open more than one account in his/her name. But this is not applicable in case of any parent opening more than one account in his/her name in respect of each minor child.
- Present and permanent address of the person in detail is to be obtained.
- Cheque book is issued to the account holder having a minimum balance of Tk.5000/- in the account.
- A Savings A/c depositor can deposit money as often as he wishes.
- The minimum balance required to be maintained at all times is Tk. 5,000/- and the Bank reserves the right to change the minimum balance requirement and/or to close such accounts without prior notice if the balance falls below this amount.
- A depositor can withdraw from his Savings Bank Deposit Account twice in a week, 25% of his / her balance or Taka 25,000/- whichever is lower. If any depositor wants to withdraw more than 25% of the balance or more than Taka 25,000/-, 7 days prior notice is required to be served to the Bank for information, otherwise the customer shall not be entitled to get interest for that month. If any depositor repeatedly withdraws more than 25% of the balance or more than Taka 25,000/- or more than twice in a week, service charge as applicable for Current Account shall be applicable to that SB account.
- Interest is applied on half yearly basis at the prescribed rates as advised by Head Office from time to time.
- Interest shall be allowed only on accounts bearing a minimum balance of Tk. 5,000/- per calendar month. Subject to the foregoing, calculations shall be made for each calendar month on the lowest credit balance/monthly minimum balance in an account for that month.
- A statement of account is dispatched to all Account Holders by the Bank on a quarterly/half yearly basis as per desire of the customers to be specified in the A/c opening form while opening an A/c.

- The Bank reserves the right to refuse or close any account without assigning any reason thereof.
- The Bank reserves the right to stop issuance of new cheque book to any customer.
- Saving Bank Account shall not be allowed to be conducted as Current Account.
- If the provisions of these rules are contravened continually the Bank shall be empowered to levy a service charge at its discretion.
- The Bank reserves the right to alter or introduce new rules at any time.
- A saving account shall not allow being overdrawn.

1.1.3 Short Term Deposit Account

- Short term Deposit A/c (STD)/Special notice deposit accounts are opened usually by Corporations, Banks, Financial Institutions, public limited companies etc.
- The deposits held in these accounts shall be payable on 7 to 30 days prior notice. If otherwise, interest for the month shall not be allowed.
- The rate of interest on such deposit is subject to change to be fixed by Head Office from time to time.
- Interest is paid in the client's account on daily product basis to be calculated at the end of each calendar year.
- Statements of account is dispatched to all account holders by the Bank on a monthly/quarterly/half yearly basis as per desire of the customers to be specified in the A/c opening form while opening an A/c.

1.1.4 Fixed Deposit Account

- Fixed Deposits are neither transferable nor negotiable.
- Fixed Deposits is opened individually or jointly.
- Fixed Deposits is opened in the name of a minor jointly with the guardian.
- Fixed Deposits is opened for a period of one month and above.
- Interest on Fixed Deposits is payable at the rates fixed by Head Office from time to time, depending on the period of maturity.
- Interest accrued on FDRs is to be paid only on maturity of the instruments.

- In case of pre-mature encashment of FDR, interest is to be paid as per the circular to be issued by Head Office from time to time.
- Payment of FDR is made on demand after the expiry of the maturity period on presentation of FDR duly discharged by the depositor(s).
- If a FDR is issued to one individual, additional name(s) shall be added/included in the FDR, at his request.
- Each time FDR is opened it shall be considered as a separate contract.
- Various deposits in the name of the same depositor or in the names of the members of the same family shall not be treated as one deposit.

1.1.5 Special Savings Schemes

The types of Special Purpose Deposits/Savings Schemes along with their operational procedures are:

Monthly Savings Scheme (MSS)

1. With this scheme one can save on a monthly basis and this shall ultimately grow into a large amount of money within the duration of 3 years or 5 years.
2. Monthly installment size to be deposited Tk 500/ or multiple up to Tk. 50,000/-
3. A person of 18 years of age and above can open the account.
4. MSS account can be opened any time of the month. But if the account is opened after 10th of any month in that case 1st installment shall be due from the following month and shall be realized in the following month.
5. An account holder requires nominating one or more person(s) as his/her nominee(s).
6. MSS account can be opened at any working day of the month.
7. The A/C holder can avail loan maximum 80% against the lien of MSS account to meet emergency expenses.
8. One can close the account before maturity.
9. If the monthly installment remains unrealized due to insufficient balance for 4(four) consecutive months, the account shall be automatically closed.
10. In case of pre-maturity and automatic closure of the account the account shall be settled as per the terms detailed below:

Relations	Rate of Interest
Less than 12 installments	No interest
12 or more but less than 36 installments	Prevailing Savings Rate
36 or more but less than 60 installments	3 years matured amount + rest as per prevailing Savings rate

Monthly Income Scheme (MIS)

1. The Bank introduced "Monthly Income Scheme (MIS)" which shall generate a regular fixed monthly income to meet individuals' various needs.
2. Duration of the Account : 3 (three) Years & 5 (five) Years.
3. Amount to be Deposited : Tk.100, 000/- or its multiple
4. Deposited amount shall be returned on maturity.
5. An account holder shall close the account at any time by a written application by giving reasonable notice in writing to the branch concerned.
6. In case, the account is closed within 6 months, no benefit including interest shall be paid to the account holder.
7. In case, the account is closed after 6 months but within 1 year, the client shall be paid back principal amount with interest at the Bank's the then prevailing Savings rate.
8. In case, the account is closed after 1 year but within 3 years, the client shall be paid back principal amount with simple interest which would be 0.5% above the Bank's the then prevailing Savings rate.
9. In case, the account is closed after 3 year but within 5 years, the client shall be paid back principal amount with simple interest which would be 1% above the Bank's the then prevailing Savings rate.

Double Benefit Scheme (DBS)

1. Attractive savings plan under 'Double Benefit Scheme' shall make doubling of individual's money within a period to be decided by Head Office from time to time.
2. Amount to be Deposited: Tk. 10,000/- or it's multiple.
3. A person of 18 years and below 60 years at the time of application can open the account.
4. A person can open more than one DBS account at any branch of the Bank and in such case separate form shall be filled.
5. A passport size Photograph of each account holder is required to open the account.
6. DBS account can be opened at any working day of the month.
7. DBS account can be opened in joint names or in the name of any institution.
8. DBS account can be opened in the name of a minor. In that case, our existing account opening formalities for opening accounts for minor shall be followed
9. An account holder requires nominating one or more person(s) as his/her nominee(s).
10. No benefit including interest/profit shall be allowed for pre-mature encashment within one year.
11. The account holder can avail credit/Quard facility of maximum 80% against the lien of the deposited amount to meet emergency expenses.

Haj Sanchay Prakalpa (HSP)

1. The scheme has been introduced for the persons willing to perform Haj and therefore mobilize savings for onward payments of Hajj money.
2. This scheme shall be applicable for "Islamic Banking Branches" only.
3. Hajj installment amount to be decided from time to time.
4. A person of 18 years at the time of application can open the account.
5. A passport size Photograph of each account holder is required to open the account.
6. Account can be opened at any time of the month.
7. The installment amount to be paid within 10th of the particular month.
8. If required the depositor shall able credit facility up to 80% of the depository amount.

11.6 Deposit Pension Schemes (DPS)

The operational guidelines are to be followed for the Deposit Pension Schemes like Pension Savings Schemes (PSS) or any other deposit accounts as shall be advised by Head Office from time to time.

11.7 Deposit Accounts under Islamic Banking

The rules and operational procedures that are applicable for traditional Banking deposit products as stated above shall be equally applicable for the deposit products of Islamic Banking branches. Except that under traditional Banking interest shall be allowed in savings, FDR and STD A/c as against of which profit shall be distributed in case of Islamic Banking Branches for the corresponding products of Mudaraba Savings, Mudaraba FDR, Mudaraba STD A/c.

The deposit products of traditional Banking and corresponding Islamic Banking products are stated below for easy understanding:

Deposit products under Traditional Banking	Deposit products under Islamic Banking
Current Deposit Account	Al- Waddeeah Current Deposit Account
Savings Deposit Account	Al- Mudaraba Savings Deposit Account
Short term Deposit	Mudaraba Short term Deposit
Fixed Deposit	Al- Mudaraba term Deposit
Monthly Savings Scheme (MSS)	Mudaraba Monthly Savings Scheme (MMSS)
Monthly Income Scheme (MIS)	Mudaraba Monthly Income Scheme (MMIS)
Double Benefit Scheme (DBS)	Mudaraba Double Benefit Scheme (MDBS)

1.2 KINDS OF DEPOSIT ACCOUNTS

Branches shall open accounts for the following categories of depositors:

Individuals: Any adult competent to enter into contracts can open an individual account.

Joint Account: More than one adult jointly or adult with minor(s) shall constitute joint accounts.

Sole Proprietorship Concerns: A business or trading concern owned by a single adult person is a sole proprietorship concern.

Partnership firms: A business concern owned and managed by more than one person whether registered or not is a partnership firm.

Private Limited Company: A corporate body formed and registered under Companies Act, 1913 with limited liability having a Certificate of Incorporation given by Registrar of Joint Stock Companies.

Public Limited Company: A corporate body formed and registered under Companies Act, 1913 with limited liability of the shareholders and with no upper ceiling on the number of shareholders. It shall have the following valid documents:

- a) Certificate of Incorporation and Certificate of Commencement issued by the Registrar of Joint Stock Companies.
- b) Memorandum and Articles of Association.

Corporations and autonomous bodies are organizations created by special acts of the parliament or by presidential orders.

Trusts: Trusts are created by trust deed in accordance with the law. Trustees are given control of an estate, usually of the deceased for the benefit of certain persons who are called beneficiaries.

Liquidators: Liquidators are appointed by court of law for companies going into liquidation.

Executors/Administrators: Executors/Administrators are appointed by a deceased himself before his death by WILL to settle his accounts after his death. Administrators are appointed by the court of law in the absence of the deceased's WILL.

Clubs/Associations/Societies: These organizations shall be created and registered under Societies Registration Act. They may not be registered organizations. Some of them shall be registered under Companies Act.

Co-operatives: These are corporate bodies registered under Societies, Registration Act or Companies Act or the Co-operative Societies Act.

Non-Government Organizations: Non-Government Organizations (NGOs) are voluntary organizations created & registered under Societies, Registration Act or Co-operative Societies Act.

Non-trading Concerns: These are organizations registered under Societies Registration Act or Companies Act or Co- operative Societies Act.

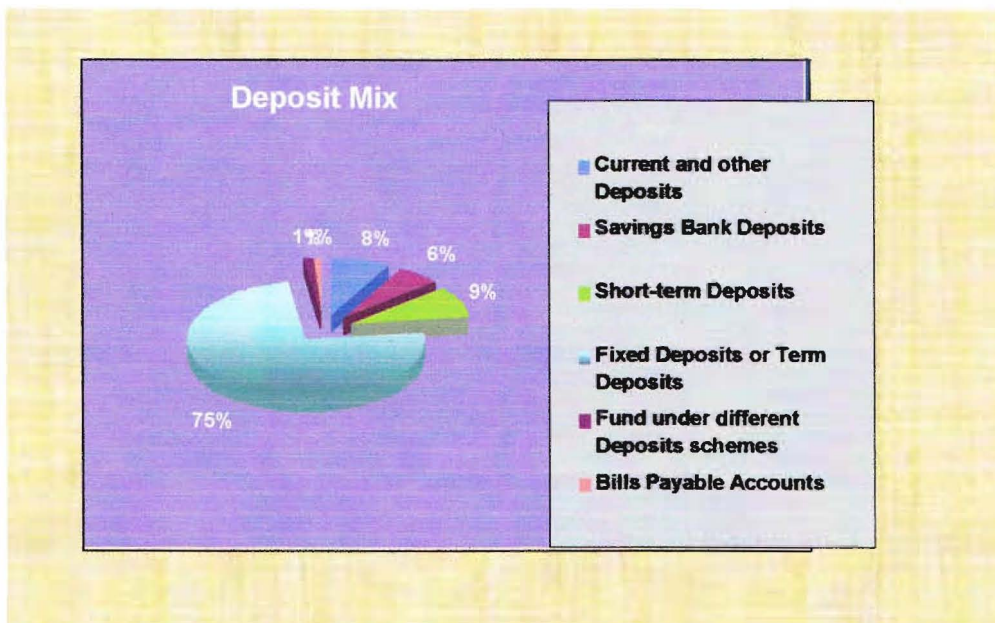


Figure: Deposit Mix of SEBL in 2006

CHAPTER-II

Cash Management

2.1 Cash Receipt

Examination of Deposit Slips

The account holders will use the prescribed Deposit Slips supplied to them for depositing cash/cheques/drafts/Pay-orders etc. in their Current Accounts/ Savings Accounts etc. The Cash Officer concerned shall carefully scrutinize the Deposit Slips to see that-

- i. They have been correctly and properly filled up.
- ii. Properly signed by the Depositor.
- iii. The title of the A/C, its number and Branch name is correct.
- iv. The amount in words and figures has been correctly written and agree with each other.

Processing of a Cheque Deposit

- Compare the title of the account on the Deposit Slip with the endorsement on the cheque (s).
- They should be in the same name.
- Make sure that the cheques are endorsed properly.

Processing Cash and Cheque Deposit

Separate Deposit Slips shall be used for depositing cash and cheques etc.

2.2 Cash Payment

- Cheques, Demand Drafts, Pay Orders, and Deposit Slips, mail Transfer Receipts, Telegraphic Transfer Receipts and Debit Cash Vouchers etc are received from the customers and various departments for encashment.
- The instrument is checked for any apparent discrepancy, posting and cancellation.

- Cash is counted and the denominations of notes are written on the reverse of the instrument.
- Cash is paid to the bearer of the instrument.
- Stamp is affixed on the face of the instrument and signed by the Paying Officer.
- Particulars of the instrument are entered in Paying Cash Book.
- Paid instruments are kept with the Paying Officer.
- At the close of business, the amount entered in the Paying Cash Booked is totaled.
- The total is agreed with the total amount paid.
- The total is written in words and figures.
- The Officer In-charge of Deposit Deptt. Checks the entries and instruments to ascertain that the payment has been correctly made and releases the instrument from the Payment Register by his initial against each entry.
- The Officer-in-Charge also checks and signs the book.
- After the cash is checked as explained herein before, the instruments are sent to the Deposits and Accounts Department as the case may be. Cheques are received by the Deposits In charge and other instruments by Account In charge.

2.3 Cash/Note/Coin Managing

- Soiled notes are separated and sent to Bangladesh Bank for change.
- Notes are properly sized, packed & bundled and stitched & wrapped with printed label of SBL.
- Rubber stamp is affixed in the stitched place.
- Loose notes are kept with rubber band accurately.
- Signature is given in the label of SBL.



CHAPTER-III

Remittance

When a client is ordering the Bank to pay in other account through a cheque or cash is known as pay order. It is a liability for the Bank. To prepare a pay order has to fill a pay order form and has to deposit the same amount of money in the Bank. The remittance department consisted of three sections and those are briefly discussed through out the chapter.

3.1 Demand draft

Demand Draft is an instrument containing an order of the issuing branch upon another branch known as drawee branch, for payment of a certain sum of money to the payee or to his order on demand by the beneficiary presenting the draft itself (N.I Act 1981,section 85).

Thus, the following are the essential features of a Demand Draft issued by the Bank.

- i) It is drawn by one Branch of the Bank upon some other Branch of the Bank.
- ii) It is payable on demand.
- iii) Its payment is to be made to the person whose name is mentioned therein or according to his order. In other words, it cannot be made payable to the bearer.

The person intending to remit the money through a Demand Draft shall deposit the money to be remitted together with the Bank's charges for its services. The three parties to the instrument are

(i) Drawer Branch (ii) Drawee Branch and (iii) Payee.

3.2 Pay Order

A pay order is a written order, issued by a branch of the Bank, to pay a certain sum of money to a specific person or a Bank. It is also termed as a Banker's cheque as it is issued by the Bank drawn upon and payable by itself. A pay order is issued and paid by the same branch of the Bank and as such, the drawer and drawee are same. The person or the organization in whose favor it is issued is known as payee or the beneficiary. It is some times sold to an individual on payment of

value who may or may not be a customer and is called the purchaser. A pay order is divided into three parts viz. the actual pay order, the second counterfoil to be retained by the payee and the first counterfoil to be retained by the issuing branch as record.

Purpose of Pay Order:

1. The purpose of a pay order is to effect transfer of fund from one hand to another. Such transfer of fund shall be for a specific purpose only. When the Bank intends to make payment on its own behalf or an individual desires to furnish a guarantee of payment by the Bank on his account to someone else who does not accept his cheque.
2. A pay order may be issued to affect payment on its own account by the Bank to another Bank in settlement of cheque returned after clearing house.
3. It may be issued by the Bank in payment of its other dues like income tax, house rent, etc.
4. A pay order may also be sold to any person who desires to offer the same in payment of earnest money and other dues to Government, Agencies, Autonomous Bodies, Companies, Local Authorities, etc. in the course of business and other dealings.

3.3 Telegraphic Transfer

Telegraphic Transfer (TT) may be affected at the written request of any person and against value received from him. A written application on our prescribed form duly signed by the purchaser shall be obtained. If the application for issue of telegraphic transfer contains instruction to debit the account of the purchaser his signature shall be verified. It is however, preferable to obtain a confirmatory cheque from the customer.

The application form shall be invariably checked on the following points: -

1. That we have a branch in the place on which telegraphic transfer will be issued and the said branch has test arrangement with the issuing branch.
2. Full name of the payee and his account number, in case instruction is to “credit his account”, or full address in case the instructions are to “advice and pay” are there.
3. The amount of T.T, commission and Telex/Fax charges shall be received from the purchaser.

4. A cost memo for the TT is to be prepared by the officer under his signature, which contains the amount of TT commission and Telex/Fax charges and is delivered to the purchaser.
5. The cost memo message has to be correctly prepared by the officer concerned as to the amount, name of the beneficiary, instruction regarding mode of payment and place of payment.
6. The concerned officer shall correctly prepare the test.
7. T.T over telephone may be transmitted on account of valued clients of the Bank. Branches with teleprinter/fax facilities shall transmit T.T message through Telex/fax.

CHAPTER-IV

Clearing

4.1 Inward Clearing

- Number of instruments received from Bangladesh Bank/from collecting branch/representative branch is reconciled with the schedules.
- Instruments (Cheque, DD, PO etc) are drawn on our bank and Branch.
- The instruments are properly endorsed and signed by the Official of the collecting bank.
- Instruments are in order and valid in all respects (date, signature, amount in figure and word etc.)
- Instruments are branded with clearing seal with date and Branch crossing seal.
- Instruments are cancelled by the authorized officers.
- Return instruments are properly recorded and returned in time with the return memo.
- The Authority level for Clearing Cheque cancellation and return is to be followed as per the instruction given by Head office from time to time.
- Short claim/ excess claim be checked instantly and intimated to BB/collecting branch.

4.2 Outward Clearing

- Instruments have to valid and in order. (date. Amount in fig. and word etc.).
- The instrument need to be crossed specially and properly endorsed.
- Clearing seal must be given.
- The details of deposit slip must be tallied with the instruments.
- Authentication on deposit slip and on the back of the instruments is done before separating the deposit slip from the instruments.
- Branch wise schedule is prepared first and then bank wise schedule is completed.
- House Book statement is prepared properly.
- Return instruments are properly recorded and notified to the client/presenting bank on the same date.

CHAPTER-V

Issuance and Dishonor of cheque Book

5.1 Issuance of Cheque Book

- A cheque is a bill of exchange drawn on a specified banker and not expressed to be payable otherwise than on demand. It is an important document for any transaction in the business world.
- While opening an account, a cheque book may be issued to the customer.
- Before issuing a cheque book for the first time, a separate cheque requisition slip is to be duly filled in and signature is to be obtained on it.
- But subsequent cheque books shall be issued against the cheque requisition slip extracted from a previous cheque book.

5.2 Dishonour of cheque

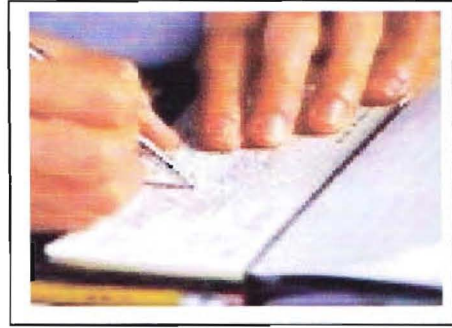
When a cheque is drawn properly and there are sufficient funds in the customer account, to honor the cheque is the primary obligation of a bank. At the time of account opening bank receives deposits from its customer on the footing that drawing against such deposits will be allowed on demand. So, without satisfactory reason, to dishonor cheque may be treated as breach of contract by the bank in the eye of law.

In spite of all these, it is not always unlawful for a bank to dishonour cheque and there are circumstances when a banker is entitled in dishonoring the customer's cheque. According to Bangladesh Bank circular a Banker can only dishonour a cheque mentioning the following specific reasons:

Reasons to be mentioned for dishonoring cheque:

1. Insufficient fund
2. Amounts in words & figure differs
3. Cheque out of date/post-dated
4. Drawer's signature differs

5. Payment stopped by Drawer
6. Crossed cheque to be presented through bank
7. Payees endorsement required



CHAPTER-VI

Safe Deposit Locker Service

The Bank provides Safe Deposit Locker Services to the clients of selected branches as decided by Head Office from time to time. These branches are equipped with the required safe deposit lockers for hiring out to the clients. The lockers are generally installed in the strong room of the bank. The lockers offer complete security against burglary and theft and the prospect of being relatively safe in conditions of civil commotion and unrest.

The Bank provides Locker facilities to its customers for safe custody of their valuables of various kinds namely jewelry, securities, important documents, other valuables etc. The following steps/ operational guidelines are to be followed while operating lockers:

- Locker is available to the Bank's customer and the hirer shall have an account with the branch maintaining adequate credit balance.
- Proper introduction/authorization for operation of the locker is obtained prior to operation of the locker.
- The Bank will keep proper records of the dates and time when the locker have been opened and closed.
- An annual rental fee is to be charged.
- The Safe Deposit Locker shall be operated during transaction hours on all working days.
- Key when issued to or surrendered by hirer is noted in Locker Register under proper acknowledgement and authentication of the hirer or the custodian of lockers, as the case may be.

CHAPTER-VII

Maintenance of Furniture and Fixtures

- After purchase of furniture and fixture or receipt of the same from Head Office, Branch Furniture and Fixtures Account is debited with the cost of the item and its particulars and value is recorded in the Furniture and Fixtures Register.
- A separate Register is maintained for house furnishing furniture and fixtures of Head of Executives.
- All the items of furniture and fixtures should be numbered serially.
- Rate of depreciation is applied according to Head Office instructions.
- Depreciation is calculated in such a way that the written down value is rounded off to the nearest Taka.

CHAPTER-VIII

Sale of Prize Bonds

Prize Bonds of Tk. 100 denominations are in circulation. Lottery draw is held at quarterly intervals. The Bank / branches sell Prize Bonds at its cash counters. A register shall be maintained for stock of prize Bonds in hand the value of which must agree with the balance in the General Ledger. Verification of Prize Bonds held shall be carried out at regular intervals. At quarterly intervals when the result of the draw is published, the Cash in Charge and an authorized officer of the Bank shall examine the published result; if any Prize Bond held by the Bank has won the lottery, the prize money is collected and credited to Income A/C – Miscellaneous Income. Branches shall maintain separate file for Prize Bond draw result sheet.

CHAPTER-IX

Other Important Issues of the Branch

9.1 Branch Administration

Officer order mentioning the specific job for each official is issued. Office decorum/etiquette (time, dress up, keeping ID cards) is observed by each official. Attendance register is maintained and checked regularly by authorized official. Leave position is updated. Periodical job rotation is done efficiently. All administrative files are maintained and recorded properly.

9.2 Branch Security

Security Guard performs duties as per duty chart to be specified in the duty register. The gun(s) and ammunitions of the Branch are in order and kept in strong room and emergency alarm system functions properly. Close Circuit Television functions properly (where CCTV installed).

9.3 Specimen Signature Book

The Bank's Specimen Signature Book is kept with the General Banking In charge.

9.4 Maintenance of Necessary Files/Folders

The bank shall index all the files/folders subject-wise/item-wise and office note thereof shall be maintained chronologically.

9.5 Despatch

9.5.1 Inward Despatch

- Despatch seal, date, signature and endorsement are given on all letters and documents received from courier/registered post/special messenger.
- All letters and documents are recoded in the Inward Despatch Register.
- All mails are placed to the Head of Branch/Divisional Head at Head Office.

- Manager assigns all mails to the respective officials through endorsement.
- The assigned official gives initial in the inward register as a token of having received.
- It is properly filed and recorded.
- Fax/Telex etc. received shall be placed before the Head of Branch/Divisional Head and marked to the concerned officer. Subsequently those are entered in Inward Mail Register and delivered to the concerned departments against initials in the Register.

9.5.2 Outward Despatch

- All the outgoing letters, documents with covering letters etc. are received in duplicate from various departments.
- Acknowledgment is given on the duplicate copies and the original letters, documents etc. are retained.
- All letters and documents are signed and given despatch number.
- All letters and documents are recorded in the outward despatch register.
- Representative of Courier service signed in the outward despatch register.
- The recipient copies of the courier service / registered mail are filed & recorded properly.
- All office copies / master copies are properly filed and recorded.

FOREIGN EXCHANGE

The world foreign exchange market is very big and getting bigger every day in cycle with growth of cross border trade and investment. Within a space of only 50 years world exports have recorded a phenomenal growth from \$57.2 billion in 1950 to nearly \$ 6,000 billion at the turn of the century. Simultaneously, turnover in the world foreign exchange market has reached a staggering number of nearly \$ 1500 billion per day.

On the global scale, Bangladesh's performance in the field of foreign trade and foreign exchange is very small. The picture is none-the-less getting better. The country's exports are growing at an encouraging pace. Bangladesh workers abroad send close to \$2 billion each year. The growth in foreign trade and remittances has had its impacts on the foreign exchange market. Buoyed by liberalization of exchange control by Bangladesh Bank the newly emerging foreign exchange market grew at a rapid pace-- from \$1 billion in 1994 to nearly \$30 billion in 2000. The growing market reflects diversification of foreign exchange transactions and the depth. **SOUTHEAST Bank** should work towards carving a niche for itself in this market through a sustained program of training, motivation and operational flexibility.

Compared to the quietness that featured foreign exchange market in the early nineties, banks are now increasingly taking recourse to the inter-bank foreign exchange market to meet their needs: buying, selling and switching of currencies and covering the risks. Bangladesh Bank now deals only in US dollar within a fixed band around its buying and selling rates. Banks in the market naturally operate at finer than Bangladesh Bank's rates. Unless the weight of market demand or supply on a particular date pushes the rates to a level that coincide with that of the central bank, Southeast Bank should operate in the inter-bank market to cushion the shortfall or unload the excess foreign currencies.

CHAPTER-I

Export and Export Financing

1.1 Export

Export rate constitutes an important part for sustaining the long-term development prospects of a country's economy. For balancing the payments provision and enlarging the market for domestic product, exports have to be encouraged by all possible means. In view of the paramount importance of export for all developing economy, export is listed in the priority sector. It has to be ensured that effort to promote export is not held back by inadequate credit facilities. The provision of larger and cheaper bank credit is one of the prerequisites of export promotion drive. Commercial banks have been used as one such media and they play an important role in providing adequate financing facilities at cheaper cost to exporters.

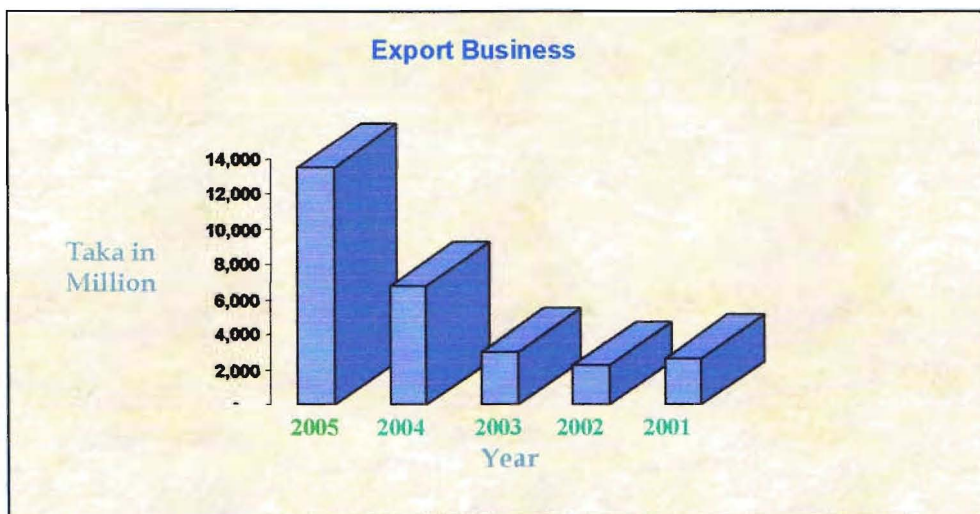


Figure: Export Business of SEBL from 2001 to 2005.

1.1.1 Export formalities

Procedure for obtaining Export Registration Certificate (ERC)

For obtaining export registration certificates from Chamber of Commerce and Industry, the following documents are required:

- ◆ Application form
- ◆ Nationality Certificate
- ◆ Partnership Deed

- ◆ Memorandum, Articles of Association and incorporation Certificate
- ◆ Bank Certificate
- ◆ Valid Trade License
- ◆ Copy of Rent Receipt of the Business Firm

Preparation of Export document

- ◆ Bill of exchange or draft
- ◆ Commercial invoice
- ◆ Bill of lading
- ◆ Inspection Certificate
- ◆ Packaging list
- ◆ Export license
- ◆ Shipment advice
- ◆ Weight Certificate
- ◆ Export form

1.1.2 Export Document Checking

The following verification is needed:

- ◆ L/C registers or not.
- ◆ Exporters submitted documents before expiry date of the credit.
- ◆ Shortage of document
- ◆ Each and every document should be verified with the L/C.

On received of documents it must be checked properly and a proposal sheet would be prepared as per the Bank's format indicating the full particular of the shipment and discrepancies under the signature of authorized person and should be placed to manager for proposal instruction or sanction.

1.2 Export Financing

1.2.1 Pre shipment finance

When an exporter seeks financial assistance before loading the goods on shipment for export it is called pre shipment finance. Such credit is granted to the exporter for procurement and processing of raw materials, manufacturing of finished product, packaging and transporting goods meant for export.

Packaging Credit is essentially short term with a repayment date granted by the bank to an eligible exporter for the purpose of buying, processing, manufacturing, packing and shipping/goods meant for export. Such facility is allowed to an exporter just at a time when he has the foreign buyers order by way of confirm export letter of credit or a firm contract. The first step in providing packing credit is to fix a packing credit limit. Generally packing credit limits are considered along with the limit for the purchase of the foreign bills. Before credit limit is sanctioned bank makes an assessment of the actual need of the borrower and there after a credit limit is fixed. A packing credit advance does not normally extend beyond 180 days and has to be liquidated by negotiation/purchase of the export bills covering the particular shipment for which the packing credit was granted.

1.2.2 Back to Back L/C

A back-to-back L/C is essentially a secondary or subsidiary credit opened by a bank on behalf of the beneficiary of the original credit, in favour of a supplier located insight or outside the original beneficiary's country.

Processing and opening of BTB L/C

An exporter desire to have an import L/C limit under back to back arrangement. In that case following papers and documents are required.

- Full particulars of Bank Account
- Balance Sheet
- Statement of asset and liability

- Trade license
- Valid bonded warehouse license
- Membership certificate
- Income tax declaration
- Memorandum of articles
- Partnership deed
- Resolution

On receipt of above documents and papers the back to back L/C opening section will prepare a credit report. Branch must obtain sanction from Head Office for opening back to back L/C. Sometimes BTB L/C opened without head office concern because of valued clients of the bank's. In that case an officer of foreign exchange department will send a post factor to the head office for the opened BTB L/C. Exporters prepare the documents and submit the same to the bank for negotiation.

BTB L/C Opening Flow Chart

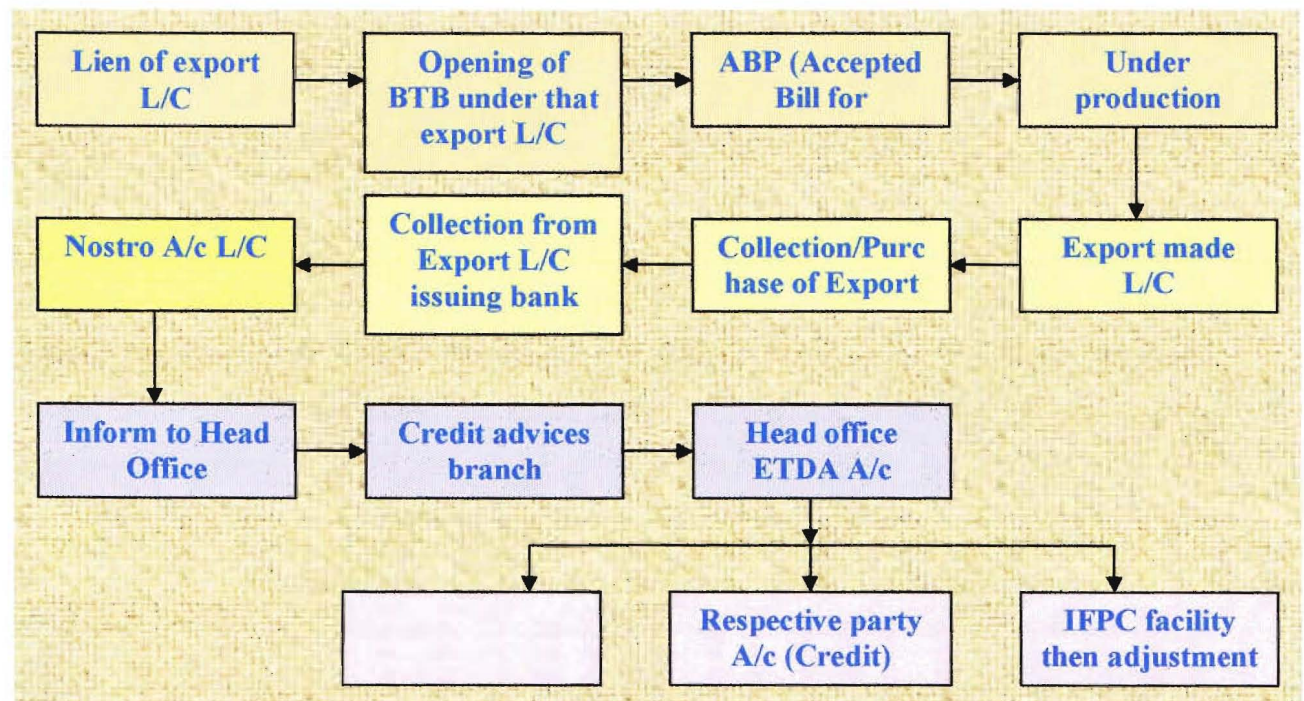


Figure: BTB L/C Opening Flow Chart

1.2.3 Post Shipment Finance

The advance made against the shipping documents till the export proceeds are realized falls under the category of post shipment finance i.e. finance provided after the goods have been shipped.

The need of post shipment finance arises because exporters who sell goods abroad have to wait for a long time before payment is received from overseas buyers. The actual period of waiting depends on the payment terms. In the meantime the exporters need fund to carry on his normal export activities. Banks are the main source for the exporters to seek the finance to tight over their temporary needs. Normally while allowing packing credits to exporters Banks also fix up a limit of purchase of bills. Banks generally finance the exporters at post shipment stage on verification of the creditworthiness and financial soundness of both the buyers and sellers. This type of credits normally takes the following shape.

- ◆ Negotiations of Documents under L/C.
- ◆ Purchase of foreign bills under Document against Payment (DP) and Document against Acceptance (DA) bills.
- ◆ Advance against foreign bills under collection.

CHAPTER-II

Import and Import Financing

2.1 Import

One of the important functions of the commercial bank is to undertake import of merchandise into the country and payment of foreign exchange towards the cost of the merchandise to the foreign suppliers. In such an international trade, because of distant involved, buyers and sellers do not know each other. Beside, both these parties are subject to rules and regulations of their respective countries. It is difficult for them to appreciate each other's integrity and credit worthiness, and apart from these, it is also difficult to know various regulations prevailing in their respective countries regarding import and export. Thus the buyer wants to be assured of goods and seller to be of payments. Commercial Banks, therefore, assure these things to happen simultaneously by opening letter of credit on behalf of buyer in favour of a seller. Commercial Bank undertakes to make payment to a seller subject to shipment of goods in strict compliance

with letter of credit terms giving title to goods to the buyers and submission of documents their against. Thus the letter of credit is a conditional guarantee and constitutes one of the most important methods of financing foreign trade.

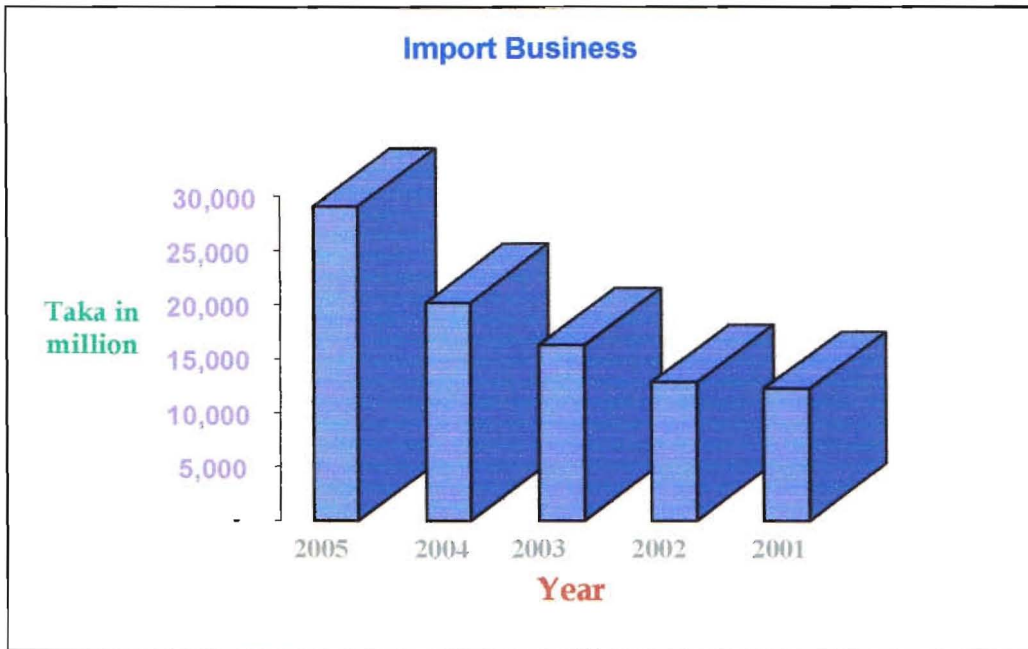


Figure: Import Business of SEBL from 2001 to 2005

2.1.1 Import of Goods by L/C

While opening letter of credit at the request of Buyer, Bank normally examines:

- ◆ Buyer credit worthiness.
- ◆ Import trade regulations.
- ◆ Exchange control regulations.
- ◆ Supplier credit worthiness report.
- ◆ Marketability of goods.

The buyer must submit the following papers at the time of opening a letter of credit

- ◆ L/C application (A guarantee executed by third party is also insisted).
- ◆ Import license/Import Authorization form or import registration certificate as the case may be.
- ◆ Indent/Performa invoice.
- ◆ Insurance cover note.

◆ IMP form and other documents/papers etc.

A suitable margin will have to be fixed considering all factors including Bangladesh Bank restrictions if any. The nature of commodity to be imported, its marketability, durability and stability of prices will be taken into consideration to determine the margin. The letter of credit duly signed by two officers, whose signature is on record with correspondent, is forwarded to the beneficiary through their own branch.

At times beneficiary of a letter of credit does not except letter of credit (issued by issuing bank) as they are not aware of this credit worthiness of issuing bank. They therefore, insist that such letter of credit be further confirmed by a bank in seller's country. At the request of issuing bank the correspondent bank in seller's country will add its confirmation and advice the letter of credit to the beneficiary.

The beneficiary i.e. seller, on receipt of letter of credit verifies:

- ✿ That letter of credit terms are in conformity with the original contract of sales turn.
- ✿ That know derogatory terms are added to the letter of credit.
- ✿ That he is in a position to shift the consignment within the shipment date stipulated in the letter of credit.
- ✿ The letter of credit ensures him payment upon tendering of the export documents.

The suppliers obtains full set of bill of lading from the shipping company and submits the same to the bank acting as agent of L/C opening bank along with all other documents that is called for in the credit. The shipping documents usually obtained are:

- ✿ Bill of exchange
- ✿ Commercial invoice
- ✿ Certificate of origin
- ✿ Packing list
- ✿ Weight certificate
- ✿ Consular invoice, where necessary

- ◆ A copy of declaration of shipment made (to the insurance company to be submitted with original shipping document)
- ◆ Pre shipment inspection certificate from an internally reputed surveyor
- ◆ Analysis certificate where specification of commodity is given

If the credit is unrestricted, the beneficiary can go to any bank for the purpose of negotiating its document. Usually they go to their own bankers if the credit is restricted, then the beneficiary gets his documents collected through his banker who forwards them to those bankers to whom negotiations are restricted. The negotiating banker scrutinizes the documents carefully with letter of credit terms in the following forms:

- ◆ Documents are presented before expiry date.
- ◆ All documents call for under the credit are submitted and are in order.
- ◆ The invoice correspondence with the detail of all other documents.
- ◆ The invoice policy is proper stamped, and that it is made out and endorsed in conformity with the conditions laid down in the letter of credit.
- ◆ Reimbursement clause is clear and does not violate exchange control regulation, if any.
- ◆ Other exchange control regulation has been complied with

If there are discrepancies in the documents, the negotiating bank has got the following two alternatives to choose;

- ◆ Reject the document outright and send them on collection basis.
- ◆ Send a cable to the opening/issuing bank pointing out discrepancies and seeking their instruction to effect payment.

2.2 Import financing

Before letter of credit is issued it is necessary for the importer to obtain a limit from the bank for opening letter of credit. For fixing L/C limit, the bank would require detail information on the nature, quantity and value for the goods to be imported, amount of the L/C limit required, terms and payments, financial assistance required from the bank, Importers current liabilities with the bank as well as with other banks.

On being satisfied about the credit worthiness of the importers and his actual requirement, a limit for opening L/C is sanctioned by the bank subject to an appropriate margin to be deposited by the importer at the opening of the L/C.

If shipment is effected by the supplier and shipping documents are submitted in terms of letter of credit in, it becomes obligatory for the bank to honor its commitment to pay the import bills.

2.2.1 Modes of Bank Finance

Payment against Documents (PAD)

Payment made by the bank against lodgments of shipping documents of goods imported through L/C falls under this head. It is an interim advance connected with import and is generally liquidated against payment usually made by the party for retirement of the documents for release of imported goods from the customers' authority.

Thus liability under the L/C is converted to Bank's advance. It is a practice to allow the importer to retire the documents till the ship carrying the goods arrives. Normally outstanding under payment against cash should not take more than 21 days for adjustment. If the importer retires the import bill against payment, the transaction ends there and the outstanding under payment against document stands liquidated.

Loan against Imported Merchandise (LIM)

At the time of opening the L/C, Banks obtain from the importer an agreement on stamped paper which provides for financing and, if necessary, clearance and shortage of goods by debiting importers account at his risk and responsibility. Importer may also request the bank on banks prescribed form for clearance of goods from the port when the consignment arrives. In most of the cases bank stand credit facilities to the importer for retirement and clearance of the consignment. In that case the bank recovers further margin from the importer to cover the customs duty, sales tax or vat etc. A definite repayment schedule is also given to the importer to take delivery of the goods from banks custody against payment.

In both the cases whether the importer requests the bank for clearance of goods or fails for retirement of documents against payment, the liability under payment against document is converted to loan against imported merchandise account.

Loan against Trust Receipt (LTR)

Advance allowed for retirement of shipping documents and release of goods imported through L/C falls under trust with the arrangement that sales proceed should be deposited to liquidate the advanced within a given period. This is also a temporary advance connected with import and known as post import finance.

RECOMMENDATION

- ◆ General banking is an important activity in banking operation. The Bank needs more no of effective and efficient employees to do the General Banking activity more smoothly and accurately.
- ◆ In general banking management of different deposits is on of the difficult duty that the employees asked to do everyday. Employees need to be more attentive and efficient to manage deposits.
- ◆ Cash management is another important activity like management of deposits. The busiest area of the bank is cash department. Employees need to be careful and efficient about receiving money from customer and giving money to customer.
- ◆ For smoothly executing the foreign trade transaction no of employees in foreign exchange department should be increase. Since the employees are limited they cannot pay much attention to all of its prospective clients.

- ◆ Especially the foreign department people should get more training facilities regarding their assign job.
- ◆ Every fifteen days or thirty days after every desk especially foreign desk must be monitor by specialist people for either their having any problem or not. Or there must be a discussion session for every department. There must be an interactive discussion period for every month.
- ◆ Their must be a better cooperation among the employees
- ◆ Maintain an effective communication with the foreign importer banks so the matter of payment delay might not happen.
- ◆ The more the local bank communicate with the foreign bank the more reliable ness, trustiness would grow up between the local and foreign banks. In that connection matter of payment will not delay.
- ◆ To attract the foreign buyers we have to be very careful regarding the quality of the goods, we have to set an international standard and the bank can do that more fruitfully. Bank must assure the importer that goods must be international standard.

CONCLUSION

Southeast Bank Limited is one of the best banks in terms of their overall operational performance. We know Prime Bank Limited has started its operation in 1995. Since then it has enviable performance in terms of management, employees' cooperativeness, sincerity and overall soft corner for this bank. Southeast Bank has a very good working environment. Especially all the employees are very much conscious as well as careful regarding their job. Now it is graded as the top class bank among the nationalized, semi-nationalized and private commercial banks in the country. The banks provide better customer service by having updated technology. Southeast Bank provides several schemes, which attracts to the customer and by dent of those the bank have earn a lot. One of the most important income generating sources of any bank is his foreign exchange. Foreign exchange department has two sides one is Local and another one is foreign side. In a local side it is performing tremendously better and every month it has earned a lot of profit. On the other hand, same thing is happening with the foreign side. To

attract the customer the bank nowadays are trying to provide most attractive and innovative services. To survive in this competitive bank business it is important to look after the customer more than rivals. Southeast Bank Limited are more capable of contributing towards economic development as compared with conventional Banks, by dint of commanding most of their funds as investment accounts which are invest in productive project leading to increase in production and employment and also in export and import business. It may be expected that by establishing a network over the country and by increasing resources, this bank will be able to play a considerable role in the portfolio of development of financing. The purpose of the study and to prepare the report was to do an evaluation on Commercial Banking Operation of Southeast Bank Limited.

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