

# Internship Report

**“Foreign Exchange Transactions comprise LC Advice, Negotiation of Export Documentary Bills, and Repatriation of Bills Proceeds”**

Submitted to:

**Dr. Tanbir Ahmed Chowdhury**

MBA Coordinator

Department of Business Administration

East West University



Submitted by:

**Kazi Sharmin Hossain**

**Id: 2002-3-10-133**



**EAST WEST UNIVERSITY**

24 August 2005

August 24, 2005

Dr. Tanbir Ahmed Chowdhury  
MBA Coordinator  
Department of Business Administration  
East West University  
45 Mohakhali C/A  
Dhaka

Dear Sir

### **Letter of Transmittal**

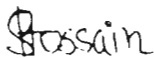
I am very happy to state that the report, "**Foreign Exchange Transactions comprise LC Advice, Negotiation of Export Documentary Bills, Repatriation of Bills Proceeds**", you had requested me to write is completed and ready for your viewing.

I am glad to submit it as part of completion of my internee with you.

I have tried my best in trying to put up a good report with as much information as I could gather during the short time span allotted for writing the report.

Thanking you for your kind support and help throughout the internee period, I remain.

Sincerely yours,



Kazi Sharmin Hossain

## ACKNOWLEDGEMENT

I, Ms. Kazi Sharmin Hossain ID: 2002-3-10-133 respectively, students of East West University (EWU), do hereby declare that I am pleased to be given the responsibility to study and work on the report entitled **“Foreign Exchange Transactions comprise LC Advice, Negotiation of Export Documentary Bills, Repatriation of Bills Proceeds”** assigned by Sir Dr. Tanbir Ahmed Chowdhury I also do confirm that I have successfully taken part in all the required activities in carrying out and completing this report, and are submitting the paper work on the August 24, 2005 to Mr. Tanvir Ahmed Chowdhury.

I am very much grateful to my colleagues of **PBL** who extended their wholehearted cooperation during my internship period. I would like to extend my gratitude to **Mr. Abdul Mannan Khan (Nipon) (Executive Officer), Mr. ASM Zahidul Karim (Shams) (Senior Officer) and MD. Shahan Karim (Principal Officer)**.

Last but not the least, a big “thanks” goes to my faculty advisor, **Dr. Tanbir Ahmed Chowdhury**, for taking the time to guide my efforts and to offer me with helpful hints and useful advice.

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

### **1. Introduction**

1.1 History of Incorporation of PBL	1-2
1.2 Objectives of the Report	2
1.3 (I) Scope & Methodology of the study	2
(II) Primary Data Collection	3
(III) Secondary Data Collection	3
1.4 Limitations	3
1.5 Some Important Abbreviation	4-5

### **2. An Overview of PBL**

2.1 An Overview of PBL	6-7
2.2 General Statement of PBL	8-10
2.3 Location & Address of PBL	10
2.4 Vision, mission & Strategic Priorities of PBL	11
2.5 Objectives of PBL	12
2.6 Management & Human Resources	13
2.7 Organgram of PBL's Head Office	14
2.8 Hierarchy of PBL	15
2.9 Branches of PBL	16
2.10 Departments of PBL	17-19
2.11 Products & Services of PBL	20-23

### **3. Foreign Exchange Operation of PBL**

3.1 An overview of foreign exchange operation of PBL	24-25
3.2 Advantages of export	25
3.3 Disadvantages of export	26
3.4 Financing Export	27
3.4. (1) International Payment Methods	27
3.4. (2) Payment In Advance	28
3.4. (3) Letter of Credit	28-29
3.4. (4) Documentary Collections	30
3.4. (5) Consignment	30

3.4. (6) Open Account	30-31
3.5 List of Returns & Statements of FET	32
3.6 Export	33
3.7 General Statement	34
3.8 Flowchart	35

#### **4. Operations of Documentary Letter of Credits & LC Advising**

4.1 Operations of Documentary Letter of Credits	36
4.2 Types of LC	37-39
4.3 Parties to a Letter of Credit	39-41
4.4 Procedure of Back to Back LC	41-43
4.5 Payment of BTB LC	43
4.6 Accounting Treatment for BTB LC	43-44
4.7 LC Advising- Operational Mechanism	45
4.7.1 Documentary LC	45
4.7.2 Advising of LC	45-46
4.7.3 (A) Export L/C Advising	46-47
4.7.4 (B) Export L/C Transfer	47-48
4.7.5 Amendments to LC	48
4.7.6 The Following Clauses of LC are generally amended	49
4.8 Mechanism of Letter of Credit	50

#### **5. Export Procedure & Proceed Realization**

5.1 Scrutiny and Negotiation of Export Bills	51
5.1 (A) Export Documents Checking	51-52
5.1 (B) Major Discrepancies	52-54
5.1 (C) Some Things need to be Under Consideration	55-57
5.2 Collection Documents	58
5.2 (A) Recording in the Register	58-59
5.3 Proceed Realization	60
5.3 (A) Accounting at the Time of Bill Purchase (FDBP)	60
5.3 (B) Accounting at the Time Export Proceed Realized	60
5.3 (C) Accounting at the Time of Bill Collection (FDBC)	61
5.4 Schedule of Charges on Foreign Exchange Related Transactions	62-63
5.5 Proposal Sheet for Negotiation of Export Bill	64
5.6 Foreign Exchange Business of PBL	65-66
5.7 Foreign Exchange Business of Motijheel Branch	67

## **6. An Overview of Financial Performance of PBL**

6.1	Capital Funds	68-69
6.2	Deposit Performance	69-71
6.3	Loans & Advances (Others)	71-76

## **7. Findings & Recommendations**

7.1	Findings	77-78
7.2	My Observations & Recommendations	79-81

## **8. Conclusion**

Conclusion	82-83
------------	-------

## **Bibliography**

### List of Tables

o Table 1: Branches of PBL	16
o Table 2: Statements of EXPORT	33
o Table 3: General Statements	34
o Table 4: Schedule of Charges	62-63
o Table 5 : Foreign Exchange Business (Import)	65
o Table 6 : Foreign Exchange Business (Export)	66
o Table 7 : Foreign Exchange Business of Motijheel Branch	67
o Table 8 : Authorized & Paid-up Capital of PBL	68
o Table 9 : Deposits of PBL	70
o Table 10 : Loans & Advances	72
o Table 11 : Earning Per Share of PBL	73
o Table 12 : Return on Asset of PBL	74
o Table 13 : Investments of PBL	75

## List of Charts

o Chart 1: Organgram of PBL	14
o Chart 2:Hierarchy of PBL	15
o Chart 3: Flowchart	35
o Chart 4: Authorized & Paid-up Capital	69
o Chart 5: Deposit Collection Trend	70
o Chart 6: Growth of Loans & Advances	72



## EXECUTIVE SUMMARY

This report aims toward providing an overview on the Foreign Exchange Banking system in Prime Bank Limited. The report is prepared within the broader framework of Internship Program of the Business Administration Department, EAST WEST UNIVERSITY. While preparing this report it has been tried to reveal the insights of the foreign exchange banking system of the bank. Simultaneously efforts have been made to provide an in depth analysis on the General Banking system in the light of the theoretical aspects. And a few recommendations and suggestions were also prescribed based on the observation and findings.

While discussing the different aspects and functions of the bank, priority has been given to depict the real situation as far as appraisal and management system in Prime Bank Ltd. are concerned by employing the experience gathered during the internship program. Analysis on the findings is basically done to sort out the major aspects of the Foreign Exchange Banking system and to draw some significant inferences. At the same time for easier understanding of the report, supporting topics and terms are explained in light of textbooks and regulatory guidelines.

To examine the efficiency of the Export management system, Letter of credit has been taken as the prime factor. Simultaneously analysis on the foreign exchange, foreign LC advising has also been done. Utmost care has been given to explain all necessary aspects related to the subject matter for easier and quick understanding of the report.

## 1.1 HISTORY OF INCORPORATION OF PRIME BANK LTD.

Prime Bank Limited is a fast growing private sector Bank and the Bank is already at the top slot in terms of quality service to the customers' and the value addition to the shareholders. Prime Bank Ltd. was incorporated under the Companies Act, 1994 on February 12, 1995.

Prime Bank Ltd. being a banking company has been registered under the Companies Act 1913 with its registered office at 5, Rajuk Avenue, Motijheel commercial area, Dhaka 1000. Later it was shifted to Adamjee Court Annex building, 119-120, Motijheel Commercial Area, Dhaka - 1000. Prime Bank Ltd. was established on 17th April 1995 with an authorized capital of Tk.1000 million and paid up capital of Tk.100 million (raised to Tk.700 million in 2003) by a group of highly successful entrepreneurs from various fields of economic activities such as shipping, oil, finance, garments, textiles and insurance etc. It is a full licensed scheduled Commercial bank set up in the private sector in pursuance of the policy of the Government to liberalize banking and financial services.

The bank operates as a scheduled bank under banking license issued by Bangladesh Bank, the central bank of the country on April 17, 1995 through opening of its Motijheel branch at Adamjee Court Annex Building, Motijheel commercial area, Dhaka-1000.

The Bank made satisfactory progress over the years after its starting. Despite difficult circumstances it became able to sustain with some

## **(II) PRIMARY DATA WERE COLLECTED**

The primary data had been collected in various ways. The different sources were:

- ⇒ Face to face conversations with the employees and opportunities were given by the management to work in relevant fields in PBL.
- ⇒ By personal interviewing and interacting customers at PBL.
- ⇒ Observing various organizational procedures.

## **(III) SECONDARY DATA WERE COLLECTED**

- ⇒ from prior research report
- ⇒ from different books and periodicals related to the banking sector
- ⇒ from Newspapers and Internet.

## **1.4 LIMITATIONS**

- ⇒ Large-scale research was not possible due to time constraints.
- ⇒ Relevant data and document collection were difficult due to the organization confidentiality.
- ⇒ Non availability of data in a systematic way.

## 1.5 SOME IMPORTANT ABBREVIATION

PBL	= Prime Bank Ltd.
RMG	= Readymade Garments
FDBP	= Foreign Document Bill Purchase
FDBC	= Foreign Document Bill Collection
EXP	= Export Form
ID	= International Division
HO	= Head Office
BTB	= Back to Back
CIB	= Credit Information Bureau.
UCPDC	= Uniform Customs and Practice for Documentary Credits.
ERC	= Export Registration Certificate.
IRC	= Import Registration Certificate.
EPB	= Export Promotion Bureau
TT	= Telegraphic Transfer.
CFR	= Cost and Freight.
FOB	= Free On Board.
CIF	= Cost Insurance and Freight.
SWIFT	= Society for Worldwide Inter-bank Financial Telecommunication
BL	= Bill of Lading.
FCAD	= Foreign Currency Account in Dollar.
BB	= Bangladesh Bank.
L/C	= Letter of Credit.
PC	= Packing Credit
HP	= Hire Purchase

**CHAPTER 2**

**AN OVERVIEW OF**

**PRIME BANK LIMITED**

## 2.1 AN OVERVIEW OF PRIME BANK LTD.

In the backdrop of economic liberalization and financial sector reforms, a group of highly successful local entrepreneurs conceived an idea of floating a commercial bank with different outlook. For them, it was competence, excellence and consistent delivery of reliable service with superior value products. Accordingly, Prime Bank Ltd. was created and commencement of business started on 17<sup>th</sup> April 1995. The sponsors are reputed personalities in the field of trade and commerce and their stake ranges from shipping to textile and finance to energy etc. As a fully licensed commercial bank, Prime Bank Ltd. is being managed by a highly professional and dedicated team with long experience in banking. They constantly focus on understanding and anticipating customer needs. As the banking scenario undergoes changes so is the bank and it repositions itself in the changed market condition. Prime Bank Ltd. has already made significant progress within a very short period of its existence. The bank has been graded as a top class bank in the country through internationally accepted CAMEL rating. The bank has already occupied an enviable position among its competitors after achieving success in all areas of business operation. Prime Bank Ltd. offers all kinds of Commercial Corporate and Personal Banking services covering all segments of society within the framework of Banking Company Act and rules and regulations laid down by our central bank. Diversification of products and services include Corporate Banking, Retail Banking and Consumer Banking right from industry to agriculture, and real state to software. The bank has consistently turned over good returns on Assets and Capital. During the year 2002, the bank has posted an operating profit of Tk. 747.84 million and its capital funds stood at Tk 1664.31

million. Out of this, Tk. 700 million consists of paid up capital by shareholders and Tk. 964.31 million represents reserves and retained earnings. The bank's current capital adequacy ratio of 12.43% is in the market and much above the stipulated line of 8%. In spite of complex business environment and default culture, quantum of classified loan in the bank is very insignificant and stood at less than 1.48%. Prime Bank Ltd., since its beginning has attached more importance in technology integration. In order to retain competitive edge, investment in technology is always a top agenda and under constant focus. Keeping the network within a reasonable limit, our strategy is to serve the customers through capacity building across multi delivery channels. Our past performance gives an indication of our strength. We are better placed and poised to take our customers through fast changing times and enable them compete more effectively in the market they operate. Prime Bank Limited is one of the first few Bangladeshi Banks who have become member of **SWIFT** (**S**ociety for **W**orldwide **I**nter-bank **F**inancial **T**elecommunication) in 1999. **SWIFT** is members owned co-operative, which provides a fast and accurate communication network for financial transactions such as Letters of Credit, Fund transfer etc. By becoming a member of **SWIFT**, the bank has opened up possibilities for uninterrupted connectivity with over 5,700 user institutions in 150 countries around the world.

## 2.2 GENERAL STATEMENT OF PRIME BANK LTD.

Prime Bank Ltd. has all along pursued pragmatic policies and strategies depending on the prevailing business scenario. It stayed focused on the emerging needs of the market and positioned itself accordingly. High quality customer service through competent workforce remained uppermost in Prime Bank's thinking and action plan. Integration of technology in business functions is an important strategy for PBL (Prime Bank Ltd.) to seize opportunities and provide value-added service to the customers.

Prime Bank Ltd. has had consistent growth over the years. Management of PBL has put in place necessary business initiatives, which are to ensure success as Prime Bank Ltd. moves towards the new millennium. Its guiding principles are rendering of service to customers more efficiently and effectively than other competitors and concentrating on core business and building on our strengths. Customer services of Prime Bank Ltd. are acknowledged to be one of the best in the industry and for this high quality Prime Bank Ltd. is rated as a top-performing bank.

Prime Bank Ltd. has plans to improve its customer services further through diversity in products and services. Offering customers a variety of options to fulfill their banking needs will remain an important component of PBL's long-term business plans. Exercise will continue to streamlining of systems and developing back-office support capabilities. Management has decided to focus more on small and medium sized enterprises by providing a broad range of financial options. PBL has further deepened its stack in retail banking, by introducing new



products. Efforts in Merchant banking are further intensified to generate more profits as Prime Bank Ltd. has acquired Merchant-banking license.

Prime Bank Ltd. is able to remain competitive and enjoyed continued growth, which in some extent depends on financial sector reforms of the government. Prime Bank Ltd. is in complete agreement with Bangladesh Bank's plans to review and thoroughly assess the financial sector and set the future framework for the industry. Prime Bank Ltd. is willing to support all constructive reforms that are in the national interest and encourage more competition and choice for the people. This Bank always stays tuned to the realities of rapidly changing markets.

Management of PBL strongly believes that this bank will grow and prosper in the days to come. On going researches to innovate products and fine-tune the existing products will lead to advantageous position. MasterCard credit cards business and newly introduced ONLINE banking has opened up new possibilities not only for improved customer service but several windows for profit generation. Installation of SWIFT and integration of Treasury functions in both local money market and international foreign exchange market are expected to yield better growth in volume and earnings.

While banking is undergoing changes to accommodate increasing needs of customers, technology is considered as a key element for achieving competency based on reliability. PBL is working to further improve its computer system in order to provide clients with new IT products and services such as ATM, ONLINE BANKING and POINT OF SALES transactions. From PBL's perspective, Technology will help Prime Bank

Ltd. to operate more efficiently and improve its productivity. Therefore, investment in technology infrastructure receives highest priority. While technology takes care of much of the routine functions, employees will have more time to spend with their customers providing greater range of advice and services.

At present Prime Bank Ltd. has a small network of branches and therefore manages these branches in a manner, which maximizes profit and brings added values for shareholders.

### 2.3 LOCATION AND ADDRESS OF PRIME BANK LTD.

Head Office	Adamjee Court Annex Building-2 119-120, Motijheel C/A, Dhaka-1000.
Cable	PRIMEBANK
Phone	9567265, 9570747-8 PABX
Telex	642459 PRIME BJ 671543 PBL MJ BJ
Fax no.	88-02-9567230 88-02-9560977
E-mail	<a href="mailto:primebnk@bangla.net">primebnk@bangla.net</a>
SWIFT	PRBLBDDH
Website	<a href="http://www.prime-bank.com">www.prime-bank.com</a>

## 2.4 VISION, MISSION AND STRATEGIC PRIORITIES OF PRIME BANK LTD.

### Vision Of The Bank

To be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management and profitability having strong liquidity.

### Mission Of The Bank

To build Prime Bank Limited in to an efficient, market driven, customer focused institution with good corporate governance structure.

Continuous improvement in our business policies, procedure and efficiency through integration of technology at all levels.

### Strategic Priorities Of The Bank

To have sustained growth, broaden and improve range of products and services.

## 2.5. OBJECTIVES OF PRIME BANK LIMITED

The objectives for which the bank is established are as follows:

- i)** To carry on, transact, undertake and conduct the business of banking in all branches.
- ii)** To receive, borrow or to raise money on deposit, loan or otherwise upon such terms as the company may approve.
- iii)** To carry on the business of discounting and dealing in exchange of specie and securities and all kinds of mercantile banking.
- iv)** To provide for safe-deposit vaults and the safe custody of valuables of all kinds.
- v)** To carry on business as financiers, promoters, capitalists, financial and monetary agents, concessionaires and brokers.
- vi)** To act as agents for sale and purchase of any stock, shares or securities or for any other momentary or mercantile transaction.
- vii)** To establish and open offices and branches to carry on all or any of the business abroad and within the country provided prior permission is obtained from Bangladesh bank.

## 2.6. MANAGEMENT AND HUMAN RESOURCES

A well-educated, skilled and enterprising workforce with wide experience in the banking is a precondition for the continued growth and progress of any bank. PBL's aim is to recruit and retain a competent workforce. In the expectation of continued growth, the bank in 1998 established a training institute for its own staff. Prime Bank recruits experienced bankers as well as fresh graduates and trains them through the Training institute. Its human resources strength is 894 as on December 31, 2004. All of the top executives of the bank have diversified Banking and Auditing experience for many years with leading Private Commercial Banks and other financial institutions.

**CHAPTER 3**  
**FOREIGN EXCHANGE OPERATION**  
**OF**  
**PRIME BANK LTD.**

17



## 2.7. ORGANOGRAM OF PRIME BANK'S HEAD OFFICE

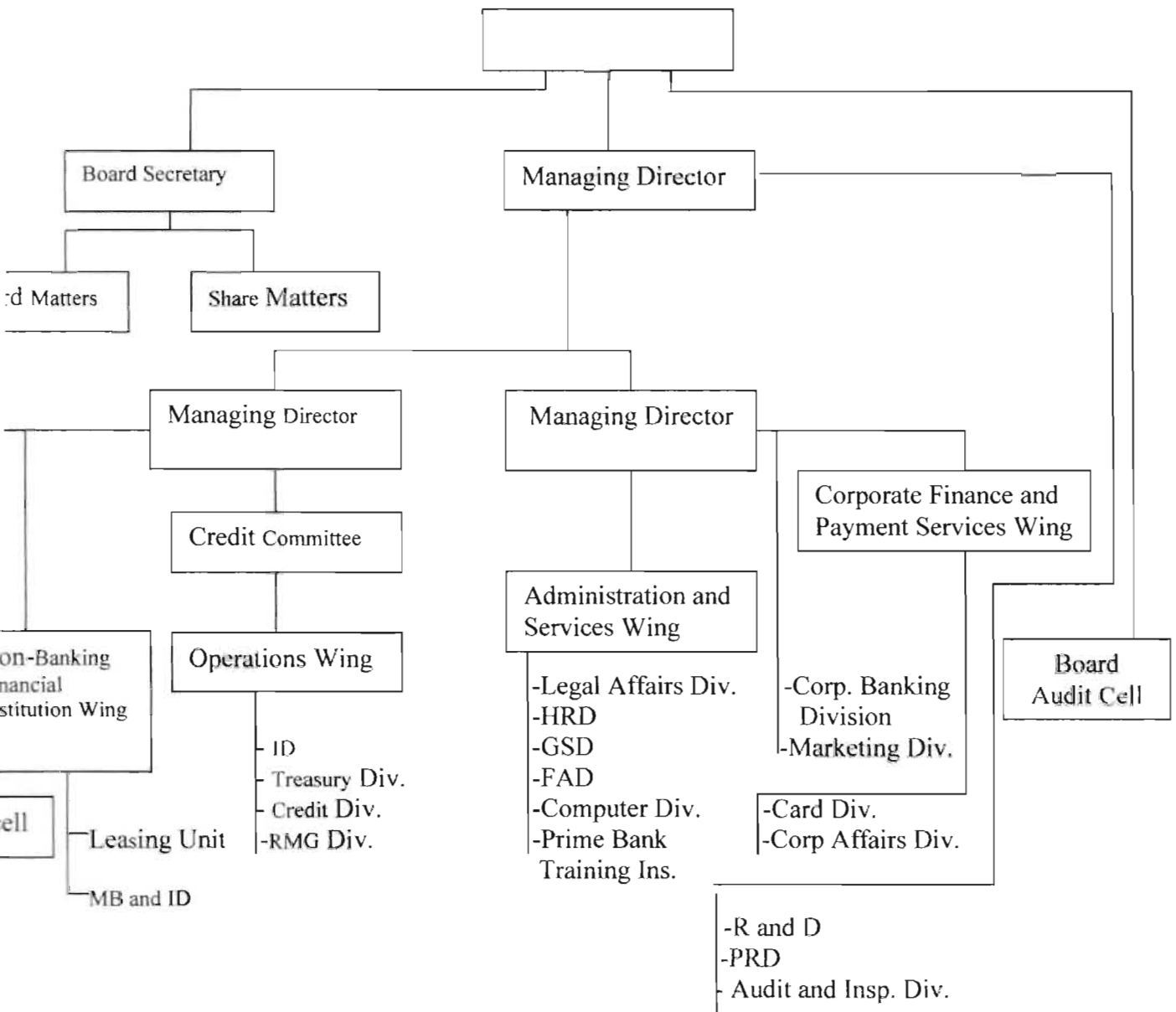


Chart 1

## 2.8 HIERARCHY OF PRIME BANK LTD.

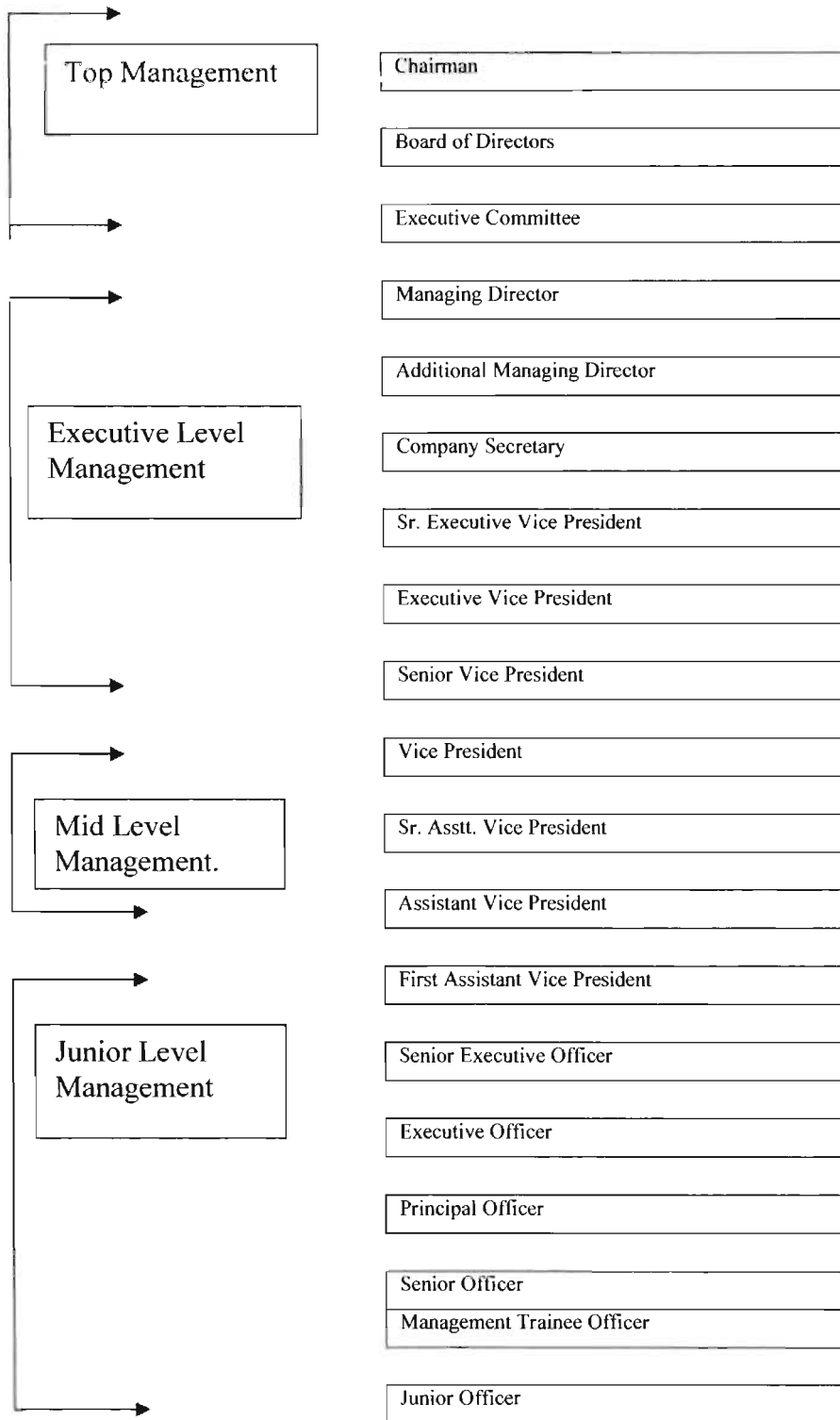


Chart 2



## 2.9. BRANCHES OF PRIME BANK LTD.

As a first growing commercial bank in Bangladesh Prime Bank Limited is committed to extend its services all over the country. At Present it has 27 branches that market all the products and services of the bank. Out of these 27 branches, 18 are licensed as "Authorized Dealer in Foreign Exchange".

**TABLE 1:**

**BRANCHES OF PBL**

<b>Year</b>	<b>Number Of Branches</b>	<b>Growth Rate</b>
1996	5	
1997	4	(20%)
1998	4	0%
1999	2	(50%)
2000	1	(50%)
2001	5	400%
2002	1	(80%)
2003	3	200%
2004	6	100%

SOURCE: PRIME BANK ANNUAL REPORT

Every year the branches of PBL increased with different growth rate. The growth rate of branches of PBL is exceptionally high in year 2001 that was 400%. In year 2004 the rate was 100%.

## 2.10. DEPARTMENTS OF PRIME BANK LTD.

Total division and departments of Prime Bank Limited can be classified under three main aspect of banking.

1. Administrative department
2. Operational department
3. Miscellaneous/other department

### 2.10.1 (a) Administrative Department

Under the Administrative Department the following divisions of Prime Bank Limited usually operate.

### 2.10.1 (b) Human Resource Division

Human Resource Division of Prime Bank Limited is one the most important divisions. This division is assigned to the responsibilities of recruitment, posting, transfer, promotion, and development of human resources of the bank.

### 2.10.1 (c) Branch Control and Expansion Division

The duties of this division are to preparing test key arrangement among the branches to maintain inter branch accounts and overall control of the branches.

### 2.10.1 (d) Public Relation Division

Another important division under Administration Department is Public Relation Division. The main activity of this division is to maintain public relation in terms of customer relation through its operating all over the country.

### 2.10.2 (a) Operational Department

Under the operational department the following divisions of Prime Bank Limited conduct their respective works.

#### 2.10.2 (b) Credit Division

All activities related the loans and advances of the bank are directed and controlled by the Credit Division. This division deals with different kinds of credit products of the bank. These are

- Commercial Credit: Secured overdraft (SOD), cash credit (Hypo/Pledge), Consumer Credit, Small And Medium Enterprise Credit.
- Industrial Credit
- Lease Finance
- Hire Purchase
- Real State Credit etc.

### 2.10.2 (c) Investment Division

Prime Bank Limited has started its operation with an objective, exceptional to other commercial banks, to take part in the Capital Market and Money Market in the country. To achieve this objective bank has established a separate division named "Investment Division". The main activity of this division is to maintain proper investment and monitoring of those investments.

### 2.10.3 (a) Miscellaneous/Other Departments

There are some other important divisions performing their respective works for the success of Prime Bank Limited which are as follows:

#### **Others:**

**2.10.3 (b) Research and Development**

**2.10.3 (c) Marketing Division**

**2.10.3 (d) Training Division**

## 2.11. PRODUCTS AND SERVICES OF PRIME BANK LTD.

Since commencement of banking operation, Prime bank Limited has not yet only gained enormous popularity but also been successful in mobilizing deposit and loan products. The bank has made significant progress within a very short time period due to its dynamic management and introduction of various consumer-friendly loan and deposit products. All the products and services offered by the bank can be classified under three major heads:

### Deposit Products

- Contributory Savings Scheme
- Monthly Benefit Deposit Scheme
- Special Deposit Scheme
- Education Savings Scheme
- Fixed Deposit Scheme
- Prime Bank Money Scheme
- Prime Bank Insured Fixed Deposit Scheme
- Saving Deposit Account
- STD Account
- Multi Currency Account
- Foreign Currency Deposit Account
- Non Resident Taka Account
- NFCD (Non Resident Foreign Currency Deposit Account)
- NITA (Non Resident Investor's Taka Account)

## Loan Products

- Consumers' Credit Scheme
- Lease Finance
- Hire Purchase
- Small and Medium Enterprise Credit Scheme
- Loan Against Shares and Securities
- House Building Financing Scheme
- Financing Scheme For Contractors
- Computer Software Financing Scheme
- Prime Bank Maser Card Credit Card
- Prime Bank VISA Credit Card
- Working Capital Financing
- Import Financing
- Export Financing
- Industrial Financing

## Other Services

Consistent with the modern edge and competing in a perfectly competitive market, Prime Bank Limited has introduced some innovative banking services that are remarkable in a country like Bangladesh. The services offered by the bank are as follows:

## On-line Banking

The bank has set up Wide Area Network (WAN) across the country within its all branches to provide on-line branch banking facility to its valued customers. The service named "PRIMELINE" has opened up several possibilities of improved customer services. Under this facility client of one branch are able to do banking transaction at any other branch of the bank. The bank hosted its Web Site ([www.prime-bank.com](http://www.prime-bank.com)) to facilitate dissemination of information about the banking services and facilities of Prime Bank Limited all over the world.

## Information Technology in Banking Operation

Prime Bank Limited has adopted automation in banking operation from the first day of its business. The main objective of this automation is to provide efficient and prompt services to its valued clients. At present all the branches of the bank are computerized under UNIX operating system to provide best security to the information. Prime Bank Limited is providing comprehensive range of banking services with utmost care and efficiency to its customers. Auto Teller Machine is used to count money properly to save client's valuable time as well. The customer can draw money/cash from their account within a minute.

## SWIFT Service

Prime Bank Limited is one of the first few Bangladeshi Banks to obtain membership of SWIFT (Society for Worldwide Inter-bank Telecommunication). SWIFT is a members' owned cooperative which provide a first and accurate communication network for financial transactions such as Letter of Credit, Fund Transfer etc. By being a member of SWIFT, the bank has opened up possibilities for uninterrupted connectivity with over 5700 user institutions in 150 countries all over the world.



### 3.1 AN OVERVIEW OF FOREIGN EXCHANGE OPERATION (EXPORT PROCEDURE) OF PRIME BANK LTD.

#### Introduction:

Exporting is crucial to one nation's economic health. Increased exports means business growth, and business growth means bigger profits for the companies—all of which ultimately result in more employment and a socio economic revolution . Yet only a small percentage of potential exporters take advantage of these opportunities. After globalization and free trade policy, now days our manufactures as well as the exporter both are facing acute constrain to meet up the challenge. Our business cannot ignore these international realities. If we intend to maintain our market share and keep pace with our competitors we have to take careful decision and careful assessment of the advantages and disadvantages of expanding into new markets.

In the international marketplace, knowledge not only means power, it means survival. If our companies are going to succeed internationally, we must know as much or more than our customers and our competitors. A single misstep may not only cost our company business, it can lead to big delays and stiff fines.

Unfortunately, most information about international trade is targeted at big companies with large logistics and legal staffs that know how to navigate the maze of import-export rules and regulations. Small and

midsize companies lack the resources - and often the training - of larger corporations.

Considering the above fact we should carefully understand its advantages and disadvantages of **Export** which are as follows:

## ADVANTAGES AND DISADVANTAGES OF EXPORT

### 3.2. ADVANTAGES

Exporting can help our business:

- Enhance domestic competitiveness
- Increase sales and profits
- Gain global market share
- Reduce dependence on existing markets
- Exploit corporate technology and know-how
- Extend the sales potential of existing products
- Stabilize seasonal market fluctuations
- Enhance potential for corporate expansion
- Sell excess production capacity
- Gain information about foreign competition

### 3.3. DISADVANTAGES

In comparison, there are certain disadvantages to exporting. Our business may be required to:

- Subordinate short-term profits to long-term gains
- Hire staff to launch the export expansion
- Modify our product or packaging
- Develop new promotional material
- Incur added administrative costs
- Dedicate personnel for traveling
- Wait longer for payments
- Apply for additional financing
- Obtain special export licenses

These disadvantages may justify a decision to forego direct exporting at the present time, although your company may be able to pursue exporting through an intermediary. If our company's financial situation is weak, attempting to sell into foreign markets may be ill-timed. Thus the decision to export needs to be based on careful analysis and sound planning.

Few would disagree that small businesses should look overseas for profit opportunities. However, to succeed in the international marketplace, small firms must offer their customers competitive payment terms and methods. Therefore choosing the most appropriate international payment method is very essential.

### 3.4. (1) International Payment Methods

A small business exporter's principal concern is to ensure that he or she gets paid in full and on time for each export sale. It does little good to make a sale if the buyer delays payment so long that the financing cost eats up the profit. Foreign buyers have concerns as well, such as ensuring that their orders arrive on time and as requested. Therefore, it is important that the terms of payment be negotiated carefully to meet the needs of both the buyer and seller. The payment method used can significantly affect the financial risk of the buyer and seller in an export sale. In general, the more generous the sales terms are to a foreign buyer, the greater the risk to the exporter. As shown below, the primary methods of payment for international transactions, ranked in order of most secure to least secure for the exporter, include:

1. Payment in advance
2. Letters of credit
3. Documentary collections (drafts)
4. Consignment
5. Open account

### 3.4. (2) Payment in Advance

Requiring payment in advance as a term of sale is not uncommon, but in many cases is too expensive and too risky for foreign buyers. Requiring full payment in advance is an unattractive option for the buyer and can result in lost sales, especially since a competitor (foreign or domestic) may be willing to offer more attractive terms. Before negotiating payment terms, determine whether or not your buyer can obtain a comparable product or service elsewhere and the terms offered. In some cases, such as when the buyer's credit worthiness is unknown or if your manufacturing process is specialized, lengthy or capital-intensive, it may be reasonable to insist upon progress payments or full or partial payment in advance.

### 3.4. (3) Letters of Credit (LC)

Letters of credit are one of the most common and safest payment methods available. An export letter of credit is an internationally recognized instrument issued by a bank on behalf of its client, the buyer. Of course, the buyer pays its bank a fee to render this service. As a result, some buyers will resist LC terms if the competition is offering more lenient or less expensive terms. Keep in mind that various payment methods can be used as marketing tools and therefore should be negotiated carefully by you and the buyer.

An LC is useful if you are unsure of a prospective buyer's credit worthiness, but are satisfied with the credit worthiness of your buyer's

bank. Sometimes it is difficult to obtain reliable credit information about a foreign buyer, but it may be less difficult to do so for the buyer's bank. Moreover, this vehicle can be structured to protect the purchaser since no payment obligation arises until the goods have been satisfactorily shipped or delivered as promised.

The terms and conditions required for payment under a LC are spelled out in the LC. When the terms and conditions have been met, as verified through the presentation of all required documents (that is why export letters of credit also are referred to as a *documentary* letters of credit), the purchaser's bank makes the required payment directly to the seller's bank in accordance with the terms of payment. A greater degree of protection is afforded to the seller when the LC that has been issued by the buyer's bank is *confirmed* by a major U.S. bank. In that case, any risk associated with the foreign bank and foreign country is moved to a bank in the United States. LCs may be utilized for one-time transaction, or they can cover multiple shipments, depending on what is agreed to between the parties. Always make sure you can deliver your order according to the terms and conditions of the LC before accepting the LC. However, if all parties agree, it can be amended after it is opened, but at an additional cost. Make sure you review the details of the letter of credit and the required documentation with a bank that has LC experience. In addition, it is advised that you initiate a conversation with an international banker *before* your buyer opens a letter of credit to ensure that proper language and conditions are incorporated into the LC.

### 3.4. (4) Documentary Collections

Documentary collections involve the use of a draft, drawn by the seller on the buyer, requiring the buyer to pay the face amount either on sight (sight draft) or on a specified date in the future (time draft). The draft is an unconditional order to make such payment in accordance with its terms. Instructions that accompany the draft specify the documents needed before title to the goods will be passed from seller to buyer.

### 3.4. (5) Consignment

When goods are sold subject to consignment, no money is received by the exporter until after the goods have been sold by the purchaser. Title to the goods remains with the exporter until such time as all the purchase conditions are satisfied. As a practical matter, consignment is very risky. There is generally no way to predict how long it may take to sell the goods. Moreover, if they are never sold, the exporter would have to pay the costs of recovering them from the foreign consignee.

### 3.4. (6) Open account

An open account transaction means that the goods are manufactured and delivered before payment is required (e.g., payment could be due 30, 60 or 90 days following shipment or delivery). In international business transactions, this method of payment should not be used unless the buyer is credit worthy and the country of destination is politically and economically stable, or unless the receivables are

covered by export credit insurance. In certain instances it is possible to discount accounts receivable with a factoring company or other financial institution, referred to below.

**The Buyer**

**The Seller**

- agrees to buy products
- agrees to be paid via documentary collection
- ships goods and submits shipping documents to bank for collection or acceptance
- the documents are released to buyer against payment or acceptance
- seller receives payment at sight or at a time agreed under the acceptance



3.5. LIST OF RETURNS & STATEMENTS OF FOREIGN  
EXCHANGE TRANSACTIONS

**A- Bangladesh Bank Return**

Schedule:

Schedule for Export Receipt:	A1/O1	: Export Receipt (General)
	A2/O2	: Against Advance T T
Schedule for Remittance:	J-1/O-3	: Eqvt. \$2000.00 and above
	IRV – 1	: Below Eqvt. \$2000.00
	E3/P3	: In TM from (Travel and Miscellaneous purpose)
Schedule for Import:	E2/P2	: Import Payment

### 3.6. EXPORT

TABLE 2:

<b>SL</b>	<b>Name Of Statement</b>	<b>Corresponding Department</b>	<b>Nature</b>
1	Monthly performance report on 100% Export Oriented Garments Industries Finance by Prime Bank Ltd.	Export Division	Monthly
2	Statement of Forced loan against non Export of RMG customers	Export Division	Monthly
3	Overdue statement of FDBP (Local)	Export Division	Monthly
4	Monthly outstanding of FDBP (Local)	Export Division	Monthly
5	Statement of outstanding Foreign Documentary Bill Purchased	ID, HO	Monthly
6	Statement of particulars of Export Bills outstanding beyond the prescribed period of realization.	Export Division	Monthly
7	Monthly statement of Suit File against the exporter for non-receipt of export proceeds	Export Division	Monthly
8	Monthly statement of outstanding Export Bills	ID, HO	Monthly
9	Quarterly statement of EXP form issued and submitted to the Bangladesh Bank	ID, HO	Quarterly
10	Quarterly statement of Discount against the Readymade Garments Exporter	Export Division	Quarterly

### 3.7. GENERAL STATEMENT

TABLE 3:

<b>SL</b>	<b>Name of Statement</b>	<b>Corresponding Department</b>	<b>Nature</b>
1	Exchange Position both new and old format	International Division	Daily
2	Statement of Receipt & Payment and projection of foreign Exchange	International Division	Weekly
3	Statement of projected settlement of Cash L/C and BTB (Foreign) L/C	International Division	Monthly
4	Statement of Foreign Exchange Business handled by the branch showing monthly and cumulative position for the month ended	International Division	Monthly
5	CIB Statement	Bangladesh Bank through Credit division, HO	Monthly
6	CIB Statement	Bangladesh Bank through Credit division, HO	Quarterly

### 3.8. FLOW CHART

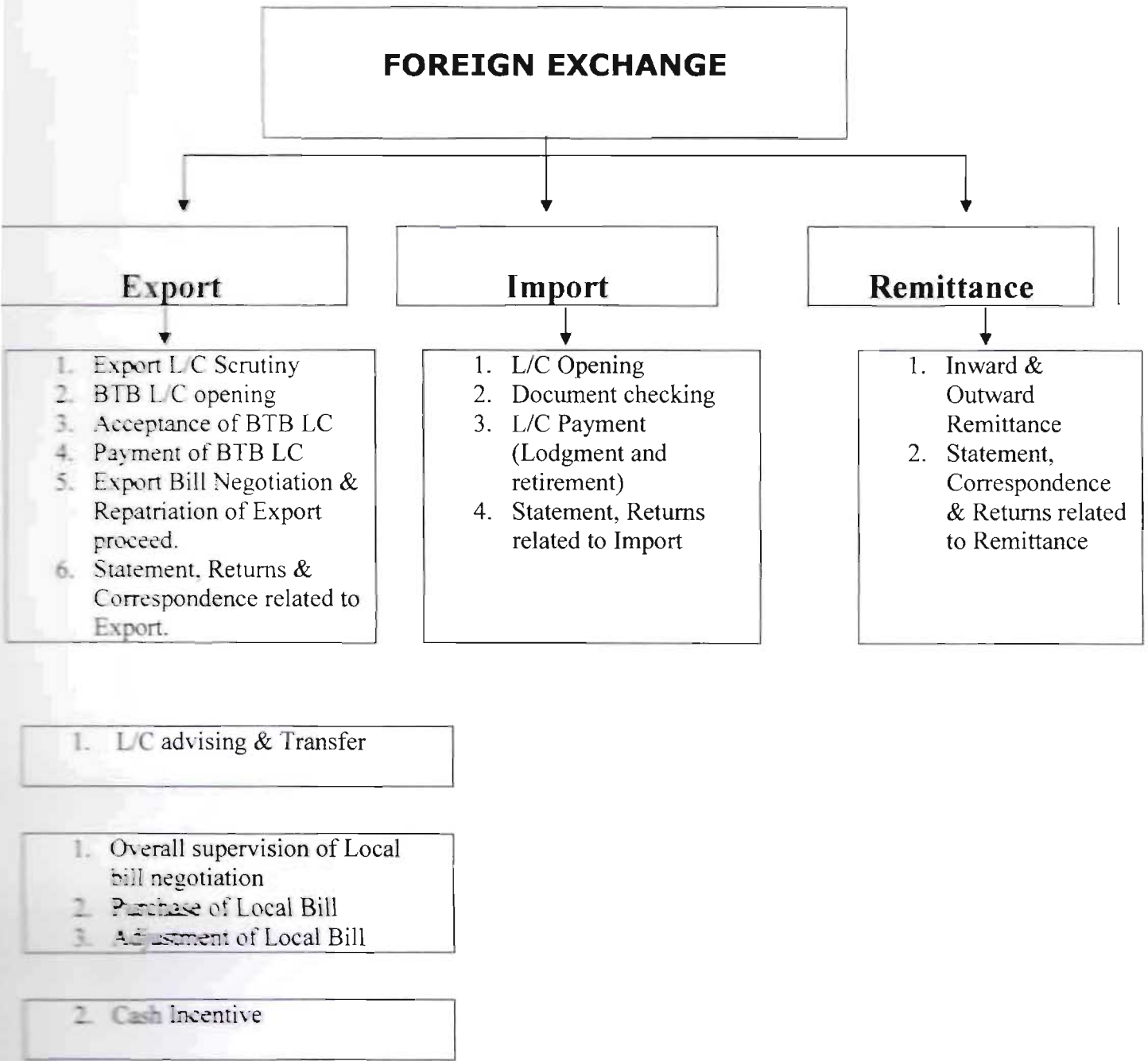



Chart 3



**CHAPTER 4**

**OPERATIONS OF**

**DOCUMENTARY LETTER OF CREDITS &**

**LC ADVISING**

## 4.1 OPERATIONS OF DOCUMENTARY LETTERS OF

### CREDIT:

#### Definition

Letter of Credit (L/C can be defined as a 'Credit Contract' whereby the buyer's Bank is committed (on behalf of the buyer) to place an agreed amount of money at the seller's disposal under some agreed conditions. Since the agreed conditions include, amongst other things, the presentation of some specified documents, the letter of credit is called documentary Letter of Credit. The Uniform Customs & Practices for Documentary Credit (UCPDC) published by International Chamber of Commerce (1993 Revision, Publication No.500) defines Documentary Letter of Credit as.

As any arrangement, however named or described, whereby a bank (the issue Bank), acting at the request and on the instructions of a customer (the applicant for the Credit)

- (1) Is to make a payment to or to the order of a third party (the beneficiary) or is to pay or accept bills of exchange (draft) drawn by the beneficiary.

Or

- (2) Authorizes another bank to effect such payment, or to pay, accept or negotiate such bills of exchange (drafts), against stipulated documents, provided that the terms and conditions of the credit are complied with.

## 4.2 TYPES OF LC

### Documentary Credits may be either:

- (1) Revocable or (2) Irrevocable

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

**Irrevocable Credit:** An irrevocable credit constitutes a definite undertaking of the issuing bank (Since it can not be amended or cancelled without the agreement of all parties thereto), provided that the stipulated documents are presented and the terms and conditions are satisfied by the seller. An irrevocable credit can either confirmed or unconfirmed depending on the desire of the seller. This sort of credit is always preferred to revocable letter of credit.

Sometimes, Letter of credits are marked as either "with recourse to drawer" or "without recourse to drawer"

- (1) **Revolving Credit:** The revolving credit is credit which provides for restoring the credit to the original amount after it has been utilized. How many times it will be taking place must be specifically mentioned in the credit. The revolving credit may be either cumulative or non-cumulative.
  
- (2) **Transferable Credit:** A transferable credit is one that can be transferable by the original beneficiary in full or in part to one or more subsequent beneficiary. Such credit can be transferred once only. Fractions of a transferable credit can be transferred separately, provided partial shipments are not prohibited.
  
- (3) **Back to Back Credit:** The back to back credit is a new credit opened on the basis of an original credit in favor of another beneficiary. Under the back to back concept, the seller as the beneficiary of the first credit offers it as "security" to the advising bank for the issuance of the second credit. The beneficiary of the back to back credit may be located inside or out side the original beneficiary's country.
  
- (4) **Red Clause:** When the clause of the credit authorizing the negotiating bank to provide pre-shipment advance to the beneficiary is printed/typed in red, the credit is called Red Clause Letter of Credit.



- (5) **Green Clause**: The Green Clause which is printed/typed in green is an extension of the red clause and such clause authorizes the negotiating bank to grant advance to the beneficiary for storage facilities at the port in addition to the earlier stated pre-shipment advances.

### **4.3 PARTIES TO A LETTER OF CREDIT**

There are a number of parties involved in a L/C and the rights & obligations of the different involved parties also differ from each other. The involved parties can be named below:

1. Importer/Buyer
2. Opening/Issuing bank
3. Exporter/Seller/Beneficiary
4. Advising/Notifying Bank
5. Confirming Bank
6. Negotiating bank
7. Paying/Reimbursing Bank

**Importer/Buyer** is the person who request/instructs the opening bank to open a L/C. He is also called opener or applicant of the credit.

**Opening/Issuing Bank** is the bank which opens/issues a L/C on behalf of the importer. It is also called the importer's/buyer's bank.

**Exporter/Seller/Beneficiary** is the party in whose favor the L/C is established

**Advising/Notifying Bank** is that bank through which the L/C is advised to the exporter. It is a bank situated in the exporting country and it may be a branch of the opening bank or a correspondent bank. It may also assume the role of confirming and/or negotiating bank depending upon the conditions of the credit.

**Confirming Bank** is a bank which adds its confirmation to the credit and it is done at the request of the issuing bank. The confirming bank may or may not be the advising bank.

**Negotiating bank** is the bank which negotiates the bill and pays the amount to the beneficiary. It has to carefully scrutinize the documentary credit before negotiation in order to see whether the documents are apparently in order or not. The advising bank and the negotiating bank may or may not be one and the same. Sometimes it can also be the confirming bank.

**Paying/Reimbursing bank** is the bank as whom the bill will be drawn (as per conditions of the credit). It is nominated in the credit to make payments against stipulated documents complying with the terms of the credit. It may or may not be the issuing bank.

Details regarding the rights and obligations of the different parties involve in the documentary operations may be had from UCPDC (Article Nos.10 to 21)

#### 4.4 PROCEDURE OF BACK TO BACK L/C

During my internship period I was working with export division and I observed that in export division there is a segment where different types of LCs opened in favor of beneficiaries. And the most popular one is back to back LC. In Prime Bank Ltd. Motijheel Branch, back to back LC opened most than others.

#### BACK-TO-BACK L/C:

In case of a Back to back letter of credit, a new L/C (an Import L/C) is opened on the basis of an original L/C (an Export L/C). Under the 'Back to Back' concept, the seller as the Beneficiary of the first L/C offers it as a 'security' to the advising Bank for the issuance of the second L/C. The Beneficiary of the Back-to-Back L/C may be located inside or outside the original Beneficiary's country. In case of a Back-to-Back L/C, no cash security (no margin) is taken by the Bank; Bank liens the first L/C. In case of a Back-to-Back L/C, the drawn bill is an Issuance/ Time bill.

In PBL, papers/documents required for submission for opening of back-to-back L/C:

- a) Master L/C
- b) Valid Import Registration Certificate (IRC) & Export Registration Certificate (ERC)
- c) L/C application & LCA form duly filled in signed.
- d) Proforma Invoice or Indent.
- e) Insurance Cover Note with money Receipt
- f) IMP- form duly signed

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

- 1) Textile permission
- 2) Valid Bonded Warehouse License
- 3) Quota allocation letter issued by Export Promotion Bureau (EPB) in favor of the applicant in case of quota items.

In case the Factory premises is a rented one, Letter of Disclaimer duly executed by the owner of the house/premises to be submitted.

The back to back LC must conform to the terms and conditions of the original foreign LC with the following exceptions:

- ❖ The name of the actual supplier is substituted by that that of the beneficiary.

- ❖ The amount of LC should be somewhat smaller than the original LC, to cover the profit margin and other expenses incurred by the original beneficiary.
- ❖ The period of validity for shipment and negotiation should be a few days earlier than the expiry date of the original LC.

#### 4.5 PAYMENT OF BACK-TO-BACK L/C:

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

#### 4.6 ACCOUNTING TREATMENT FOR BACK-TO-BACK

##### L/C:

When the document is arrived, the following vouchers are passed

Customer's A/C	Debit
Commission on acceptance	Credit

In case of payment, if the fund is at hand, the accounting entries are-

Sundry Deposit Margin on Acceptance	Debit
Customer's A/C	Credit

If the party is paid in foreign currency, B/C. rate is applied in this regard. International Department takes the T.T. O/D. rate. If the payment is made to ID in local currency in notional rate, ID follows T.T. Clean Rate. When the party is to be paid, OD Sight rate is followed.

If the fund is not available to make the payment, the following vouchers are to be passed,

OAP

Debit

Customer's A/C

Credit

## 4.7 LETTER OF CREDIT ADVISING- OPERATIONAL MECHANISM

### 4.7. (1) Documentary Letter of Credit

In simple terms, a documentary credit is a conditional bank undertaking of payment.

Expressed more fully, it is a conditional Undertaking given by a bank ( Issuing Bank) at the request of a customer (Applicant) or on its own behalf to pay a seller (Beneficiary) against stipulated documents provided all the terms and conditions of the credit is complied with.

### 4.7. (2) Advising of Letter of Credit

Advising means forwarding of a Documentary Letter of Credit received from the issuing bank to the beneficiary (exporter)

Before advising a L/C the Advising Bank must see the following:

- 1.** Signatures of Issuing Bank officials on the L/C verified with the specimen signatures book of the said bank when L/C received by airmail.
- 2.** If the Export L/C is intended to be an operative cable L/C, test code on the L/C invariably be agreed and authenticated by two authorized officers.
- 3.** L/C scrutinized thoroughly complying with the requisites of concerned UCPDC provisions.

4. Entry made in the L/C advising register.
5. L/C advised to the beneficiary (exporter) promptly and advising charges recovered.

#### 4.7. (3) A. Export L/C Advising:

At the time of advising an export L/C the following particulars to be recorded in the system:

1. Bank reference number/SL No
  2. Name & address of the beneficiary
  3. Export L/C number (minimum 16 digits)
  4. Date of issue
  5. L/C value (USD/URO/Pound sterling)
  6. Name & address of L/C issuing bank
  7. Last date of shipment
  8. Date of expiry
  9. Date of amendment
  10. New value after amendment
  11. Amount of charges realized
  12. Date of charges realized
- (I) L/C advising forwarding schedule addressed to the beneficiary containing the following particulars:
- a) A letter showing some common instructions regarding L/C advising and charges
  - b) L/C number
  - c) Date of issue



- d) L/C value
- e) Name of the issuing bank
- f) A blank space at the bottom of the letter for authorized signature

(II) An extra copy of the forwarding letter addressed to the L/C issuing bank.

#### 4.7. (4) B. Export L/C Transfer:

At the time of transfer authentication of an export L/C, the following particulars to be recorded in the system:

1. Bank reference number/SL No
2. Name & address of 2<sup>nd</sup> beneficiary
3. Export L/C number (minimum 16 digits)
4. Date of issue
5. Transferred amount (USD/URO/Pound sterling)
6. Name & address of L/C issuing bank
7. Amount of charges realized
8. Date of charges realized

(I) L/C transfer forwarding schedule addressed to the 2<sup>nd</sup> beneficiary containing the following particulars:

- A letter showing some common instructions regarding L/C transfer
- L/C number
- Date of issue
- L/C value

- Transferred amount
- A blank space at the bottom of the letter for authorized signature

(II) An extra copy of the forwarding letter addressed to the L/C issuing bank.

#### 4.7. (5) Amendments to Letter of Credits

After issuance and advising of a letter of credit, it may be felt necessary to delete, add or alter some of the clauses of the credit. All these modifications are communicated to the beneficiary through the same advising bank of the credit. Such modifications to a credit are termed as amendment to a letter of credit.

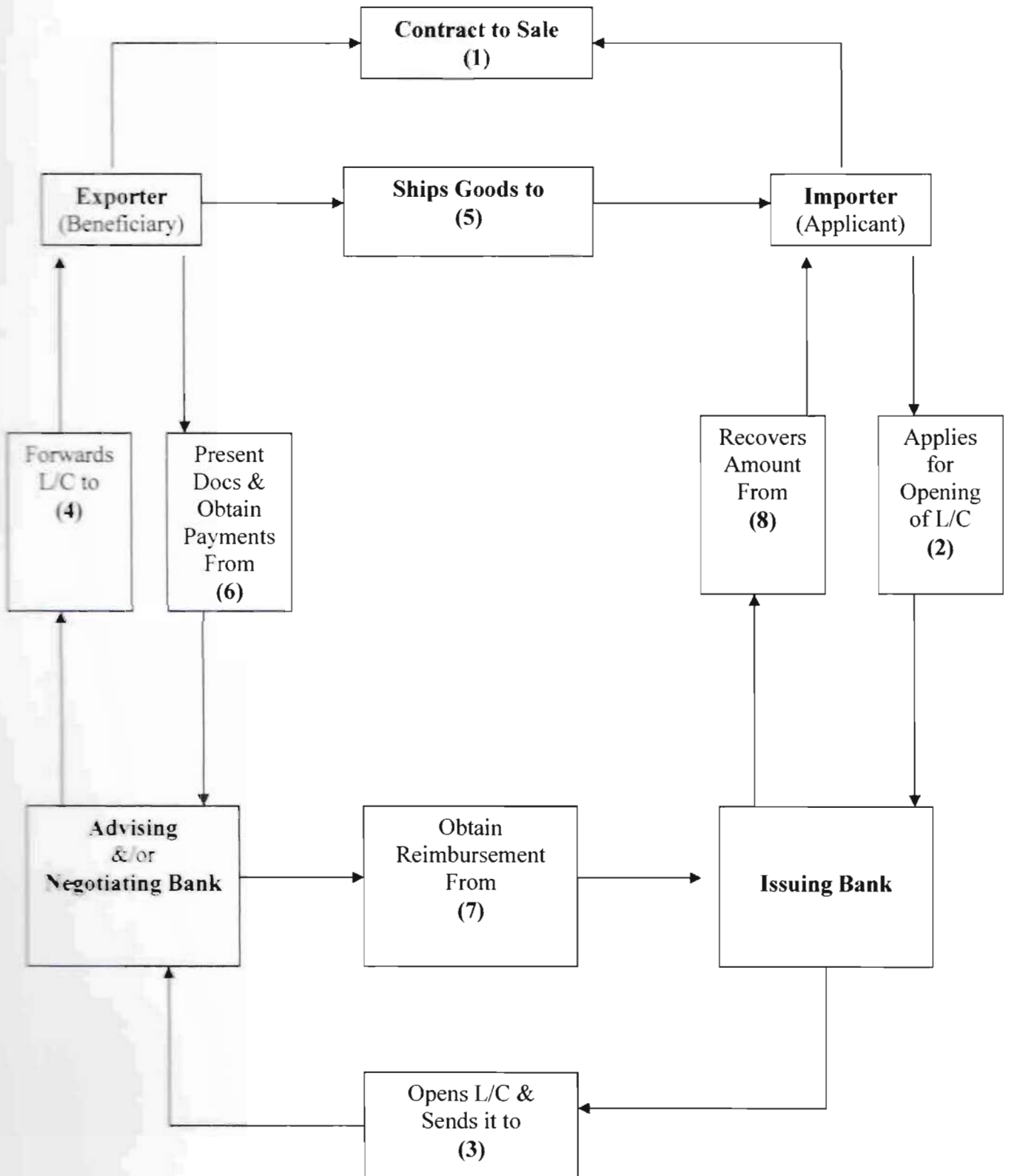
There may be some of the conditions in a credit are not acceptable by the beneficiary. In that cases beneficiary contract applicant and request for amendment of the clauses. On receipt of such request applicant approaches his banker i. e., issuing bank with a written request for amendment to the credit. The issuing bank scrutinize the proposal for amendments and if the same are not in contravention with the exchange control regulation and bank's interest, the bank may then process for amendment. There can be more than one amendment to a credit. All the amendments form an integral part of the original credit.

L/C amendments are to be communicated by telex, SWIFT or mail. If there is more than one amendment to a credit, all the amendment must bear the consecutive serial number so that the missing of any amendment can be identified by the advising bank of by the beneficiary.

#### 4.7. (6) The following clauses of L/C are generally amended

1. Increase/decrease value of L/C and increase/decrease of quantity of goods.
2. Extension of shipment/negotiation period.
3. Terms of delivery i. e., FOB, CFR, CIF etc.
4. Mode of shipment
5. Inspection Clause
6. Name and address of the supplier
7. Name of the reimbursing bank
8. Name of the shipping line. etc.

## 4.8. Mechanism of Letter of Credit



# **CHAPTER 5**

**EXPORT PROCEDURE &**

**PROCEED REALIZATION**

## 5.1 SCRUTINY AND NEGOTIATION OF EXPORT BILL

Bank deals with documents not with goods. The bankers are to ascertain that the documents are strictly as per terms of L/C. Before negotiation of the export Bill the bankers are to scrutinize and examine each and every document's with care. Negligence on the part of the bankers may result in non repatriation or delay in realization of export proceeds as incorrect documents may put the importers abroad into unnecessary troubles.

The scrutiny of the Bill of Exchange (Draft) and other related documents should ensure that.

- ❖ The documents are presented for negotiation before the expiry of the relative credit.
- ❖ The amount does not exceed the amount available under the credit.
- ❖ All the documents stipulated in the L/C are submitted.
- ❖ The corrections and alteration are properly authenticated in all documents.

### 5.1. (A) 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:
  - a) Each and every document should be verified with the L/C.
  
3. Cross verification
  - a) Verified one documents to another.

### 5.1. (B) MAJOR DISCREPANCIES

**After proper examination or checking of a described Export document we may find following discrepancies:**

#### GENERAL

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

#### BILL OF EXCHANGE(B/E)

1. Amount of B/E differ with Invoice.
2. Not drawn on L/C issuing Bank.
3. Not signed
4. Tenor of B/E not identical with L/C.
5. Full set not submitted.

## COMMERCIAL INVOICE(C/I)

1. Not issued by the Beneficiary.
2. Not signed by the Beneficiary.
3. Not made out in the name of the Applicant
4. Description, Price, quantity, sales terms of the goods not correspond to the Credit.
5. Not marked one fold as Original.
6. Shipping Mark differs with B/L & Packing List.

## PACKING LIST

1. Gross Wt., Net Wt. & Measurement, Number of Cartoons/Packages differ with B/L.
2. Not market one fold as Original.
3. Not signed by the Beneficiary.
4. Shipping marks differ with B/L.

## BILL OF LADING/AIRWAY BILL ETC (TRANSPORT DOCUMENTS)

1. Full set of B/L not submitted.
2. B/L is not drawn or endorsed to the Order of Prime Bank Ltd.
3. "Shipped on Board", "Freight Prepaid" or "Freight Collect" etc. notations are not marked on the B/L.



4. B/L not indicate the name and the capacity of the party i.e. carrier or master, on whose behalf the agent is signing the B/L.
5. Shipped on Board Notation not showing name of Pre-carriage vessel/intended vessel.
6. Shipped on Board Notation not showing port of loading and vessel name ( In case B/L indicates a place of receipt or taking in charge different from the port of loading).
7. Short Form B/L
8. Charter party B/L
9. Description of goods in B/L not agree with that of Invoice, B/E & P/L
10. Alterations in B/L not authenticated.
11. Loaded on Deck.
12. B/L bearing clauses or notations expressly declaring defective condition of the goods and/or the packages.

#### OTHERS

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

5.1. (C) While checking the export documents following things must be taken in consideration.

L/C terms:

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

1. that the documents are not state;
2. that the documents are negotiated within the L/C validity, If a credit expires on a recognized bank holiday its life is automatically become valid upto the next works day.
3. that the documents value does not exceeds the L/C value.

Draft/Bill of Exchange

Draft is too examined as under:

1. Draft must be dated
2. It must be made out in the name of the beneficiary's bank or to be endorsed to the bank.
3. The signature of the drawer must be verified by the negotiating bank.
4. Amount must be tallied with the Invoice amount.
5. It must be marked as drawn under L/C No.                      dated                      issued by  
..... Bank.

It is to be scrutinized to ensure the following:

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

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

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

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

If the Negotiating Bank will find any discrepancies in the documents. They will send the documents on collection or they can negotiate under reserve by the request of the exporter or they can seek permission/Negotiation authority from issuing Bank to allow Negotiating Bank to negotiate the documents despite the discrepancies. L/C issuing Bank will inform the matter to buyer, if the buyer accept the discrepancies mentioned by Negotiating Bank, issuing bank will authorise the Negotiating bank to negotiate the discrepant documents.

## 5.2. COLLECTION DOCUMENTS

Normally negotiating Bank will send the documents on collection basis mainly for the following discrepancies.

1. L/C expired;
2. Late shipment;
3. Late presentation;
4. L/C overdrawn;
5. Unit price differ between L/C and Commercial Invoice;
6. Consignee Name and address differ between L/C and other documents.
7. Discrepancies in B/L;
8. Any other Major discrepancies.

### 5.2. (A) Recording in the Register.

After checking and disposal instruction/sanction of the competent authority the full details of the shipment and all the relevant documents are recorded in the Bank prescribed FDBP/FDBC register. The following particulars are to be noted

- Date
- Export Bill No.
- Drawer
- Drawee
- Particulars of Goods

- Steamer/Carrier
- Bill Amount in F.C
- Exchange Rate
- Taka Amount
- Amount paid to party with details of deduction
- Tax deducted Tk.
- Initial
- EXP Form No.
- Collecting Bank
- Tenor/Due Date
- Amount realised & Date of Realisation
- Date of reporting to Bangladesh Bank
- Discount paid, if any.
- Date of PRC issued.
- Date adjusted
- Initial
- Export L/C No.

### 5.3. PROCEED REALIZATION

Proposal, Vouching and Accounting, Mechanism for Export Bill purchased/Negotiation are furnished as under:

#### 5.3. (A) At the time of bill purchase (FDBP)

DR. FDBP

CR. Marginal Deposit A/C for FDR build up

CR. Income A/C postage (Documents mailing charges)

CR. PC A/C (One or more A/C may be credited as desired by the operator)

CR. SOD (Export) or any loan A/C

CR. Any other deduction

CR. Customer's account

#### 5.3. (B) When the Export proceed realized then the following vouchers should be passed.

DR. HO/ ID@ OD sight export for BTB and FCAD (Exp) portion (for rest amount)

CR. F.C held against BTB L/C @ OD sight export.

CR. FCAD

(Exp) A/c. (Retention Quota) @ OD sight Intt. for BTB portion

DR. HO/ ID. (FAD) ID @ B. Bank Ready Buying (for purchase amount)

CR. FDBP A/c. (which was created at the time of import bill purchased)

CR. Income A/c. Exchange gain on FBP (difference between B. Bank Ready Buying Rate and OD sight Export Rate)

### 5.3. (C) When FDBC realized the vouchers are as under:

- DR. HO (FAD) ID @ OD sight (export) for BTB portion.
- CR. F.C held against BTB L/C. @ OD sight Export for BTB portion.
- DR. Prime General A/C. (FAD) ID @ B.Bank Ready Buying (for rest amount)
- CR. S/D. Courier service @ TT (doc)
- CR. S/D. A/C. Reserve margin @ TT (doc), FDR @ 2.5% of the invoice value @ TT (doc)
- CR. S/D. A/C. Export Bill Agent Commission) Local) @ TT (doc)
- CR. S/D. A/C. Income Tax on Bills/Govt. Reserve @ 0.10% @ TT (doc)
- CR. S/D. A/C. Margin o L/C (Cash) if any @ TT (doc)
- CR. I/A. Comm. On Export Bill @ 0.20% @ TT (doc)
- CR. I/A. Exchange gain on FBP (difference between B.Bank Ready Buying Rate and  
TT doc Rate.
- CR. Packing credit A/C. (if any)
- CR. Hire purchase A/c. (if any)
- CR. SOD (Export) A/c. (if any)
- CR. Others (if any)
- CR. Customers A/c.



## 5.4. SCHEDULE OF CHARGES ON FOREIGN EXCHANGE

### RELATED TRANSACTIONS

TABLE 4:

<b>SL NO.</b>	<b>PARTICULARS</b>	<b>EXISTING CHARGES</b>	<b>PROPOSED BY ID</b>
1	Negotiation commission for export bills in foreign currency	Free of charge	Handling charge Tk. 1000/-+ interest for the period beyond 21 days
2	Negotiation commission for export bills in local currency	Tk. 500/- + interest for the period the bill remain outstanding	Tk. 500/- + interest for the period the bill remain outstanding
3	Discounting of inland bills in F. C	Exchange gain	Exchange gain + handling charge Tk. 500/-
4	Advising of foreign bank L/Cs to the local beneficiary	Tk. 250/-	Tk. 750/- for our bank customer & Tk. 1000/- for other bank customer
5	Advising charge- Local L/Cs	Tk. 150/-	Tk. 500/-
6	Advising for foreign bank L/Cs to the local beneficiary (Amendment Advising)	Tk. 100/-	Tk. 500/- for our bank customer & Tk. 750/- for other bank customer
7	Transfers of L/Cs	Tk. 500/- per instance	Tk. 1000/-
8	Adding confirmation to export L/Cs by us	0.25% per qtr. or part thereof. Min \$25/- or eqvt. F.C	0.25% per qtr. or part thereof. Min US \$25/- or eqvt. F.C
9	Processing of documents under collection in F.C. where buying & selling allowed	Free	Documents processing charge Tk. 500/-
10	For documentary collection or bills (under all types of L/Cs contract)	0.20% Min Tk. 250/- +	0.20% Min. Tk. 500/- +

	where no exchange allowed	postage/Cable charges	Postage/Telex/SWIFT charges
11	For documentary collection of bill under grant (Without L/Cs)	0.20% Min Tk. 250/-+ Postage/Cable charges	0.20% Min Tk. 500/- + Postage/Telex/SWIFT charges
12	Advising of Guarantee to the beneficiary in original without any engagement on our part	Tk. 250/-	Tk. 500/-
13	Advising of guarantee in original by adding our confirmation against 100% counter guarantee of Foreign Bank	0.25% per qtr or part thereof. Min Tk 1000/- + cost of cable/tax	0.25% per qtr or part thereof. Min Tk 1000/- + cost of postage/telex/SWIFT
14	Advising of guarantee in our own format or on format supplied by the opening bank with our full engagement against 100% counter guarantee of Foreign Bank	0.25% per qtr or part thereof. Min Tk 1000/- + cost of cable/tax	0.25% per qtr or part thereof. Min Tk 1000/- + cost of postage/telex/SWIFT
15	BTB LC certificate		Tk. 200/-
16	Proceeds realization certificate (PRC) for cash incentives/Custom purpose		Tk. 1000/-
17	Processing fee for obtaining Bangladesh Bank approval/permission (Indenting, Buying house, freight forwarders agent etc.)		Tk. 3000/- for 1 <sup>st</sup> permission & Tk. 1500/- for renewal
18	EXP issuing charge		Tk. 100/-

## 5.5 Proposal Sheet for Negotiation of Export Bill

Prime Bank Limited

Motijheel Branch  
Dhaka

### PROPOSAL FOR NEGOTIATION/COLLECTION OF EXPORT BILL

FDBP NO. 01-0001-2000 Value US\$10,000.00 Date: 01.01.2000  
Exp NO. 1539-0001-2000 A/c M/s Sameen Apparels Limited

Export L/C No : RGDC FEX 20004399 Export made : US\$10,000.00  
Value : US\$50,000.00 Outstanding P/C : Tk.250,000.00  
Expiry : 31.03.2000 O/D P/C : -  
O/D H/P : Tk.20,000.00

Subject Export Bill comprising of:

	B/E	INV	P/L	C/O	B/L	L/C Copy	VISAED COMM INV	M. CTRY DEC	BENE CERT	EXPO RT LICN	SHIP CERT	MISC
FIRST BILL	3	8	8	6	3+4	3	4	2	4	3	3	16
Doc. Req. as per LC	2	6	6	4	3+2	12	3	1	3	2	1	9

Upon examination we find following discrepancies in the document/the documents are in order in all respects.

- B/E not signed by the Beneficiary.
- Invoice not marked one fold as Original.
- Alteration in B/L not authenticated by shipping lines.

#### APPROPRIATION OF BILL AMOUNT

i)	Export Bill value	:	\$ 10,000.00
ii)	Less: FC to be retained for payment of accepted bills	:	\$ 6,000.00
iii)	Less: FC deposit(Retention Quota) FCAD(Exp) 7.50%	:	\$ 750.00
iv)	Less: Commission/charges to Foreign Bank 2%	:	\$ 200.00
v)	Less: Our charges	:	
vi)	<b>Net Amount</b>	:	<b>\$ 3,050.00</b>

<b>Dr.</b>	<b>7431</b>	<b>FDBP US\$3,050.00 @ 50.6215</b>	<b>:</b>	<b>Tk.1,54,395.00</b>
Cr.	2011429-1	S/D A/c Courier Service	:	Tk.1,300.00
Cr.	2011428-4	S/D A/c Export Bill Reserve Margin for (FDR) @2.5% of Invoice value	:	Tk.13,000.00
Cr.	2011410-7	S/D A/c Export Bill Agency Commission(L)\$150.00	:	Tk.7,593.00
Cr.	2011411-4	S/D A/c Income Tax on Bills G.Rev. @0.10%(Jute)	:	Tk.
Cr.	2011417-8	S/D A/c Margin on L/C(Cash)	:	Tk.
Cr.	7220000-1	Packing Credit	:	Tk. 50,000.00
Cr.	7220	Packing Credit	:	Tk.
Cr.	72800000-1	Hire Purchase	:	Tk.20,000.00
Cr.	72300000-1	S.O.D.(Export)	:	Tk. 5,000.00
Cr.		Others(if any)	:	Tk.
Cr.	CD-5349-2	Customer's Account	:	Tk.57,502.00
		<b>Total Credit</b>	<b>:</b>	<b>Tk.1,54,395.00</b>

Placed for negotiation of documents for US\$10,000.00 on above terms against Indemnity.

## 5.6. FOREIGN EXCHANGE BUSINESS OF PBL

TABLE 5:  
Foreign Exchange Business  
Import

(Taka in Million)

<b>Year</b>	<b>Amount</b>
1996	2371.10
1997	2365.50
1998	6223.40
1999	8874.50
2000	11709.60
2001	13427.60
2002	19564.00
2003	25440.70
2004	36747.00

SOURCE: PRIME BANK LTD ANNUAL REPORT.

Foreign exchange business (Import) for the first two years was standing around 2000.00 Million Taka. After that time it is showing an upward moving growth. In year 2003 we can see from the table amount was Tk. 25440.70 million and in year 2004 the amount became at Tk. 36747.00 million.

**TABLE 6:**  
Foreign Exchange Business  
Export

(Taka in Million)

<b>Year</b>	<b>Amount</b>
1996	542.40
1997	1776.60
1998	4487.90
1999	6731.00
2000	12319.90
2001	14186.60
2002	12189.70
2003	16490.10
2004	19501.80

**SOURCE:** PRIME BANK LTD ANNUAL REPORT.

Foreign exchange business (Export) for the first three years was standing around 2000.00 Million Taka. After that time it is showing an upward moving growth. In year 2003 we can see from the table amount was Tk. 16490.10 million and in year 2004 the amount became at Tk. 19501.80 million.

Compare to import business the growth of export business is lower. As we can see from the table on 31<sup>st</sup> December 2004 the amount of import business was Tk. 36747.00 million compare to this the export business was Tk. 19501.80 million which was very low.

## 5.7. FOREIGN EXCHANGE BUSINESS

TABLE 7:

**PRIME BANK LTD.**  
Motijheel Branch, Dhaka.

During the years 2000-2004

(Figure in Taka)

<b>Year</b>	<b>Import</b>	<b>Export</b>	<b>Remittance</b>
2000	331,57,00,898.00	475,47,60,051.00	224,09,21,184.00
2001	364,72,70,988.00	523,02,36,056.00	246,50,13,302.00
2002	479,87,58,655.41	372,99,92,451.60	77,94,85,836.37
2003	661,58,79,220.54	558,98,26,413.58	213,42,80,638.54
2004	901,89,51,813.10	680,29,15,771.69	118,31,54,107.45

From the table we can get the performance of Prime Bank Ltd. Motijheel Branch's import export and remittance during year 2000 to 2004. In year 2000 the bank's performance in import segment is lower than export segment. But after that the bank is doing well in import business than export business. The performance of remittance is not stable. Every year the performance of remittance is changing.

**CHAPTER 6**

**AN OVERVIEW OF**

**FINANCIAL PERFORMANCE**

**OF PBL.**

## 6.1. CAPITAL FUNDS

The authorized capital of Prime Bank Limited is Tk. 1000 million and the paid-up capital stood at Tk. 1000 million as on December 31, 2004. This excludes issue of proposed bonus share worth Tk. 100 million during the year under review. Reserve Fund of the Bank stood at Tk. 986.51 million in 2004. After taking all considerable components, total capital funds stood at Tk. 2,476.06 million as on December 31, 2004.

Authorized Capital and Paid-up Capital of Prime Bank Ltd of previous nine years is given to the following Table: 8

**TABLE 8:**  
Authorized & Paid-up Capital of PBL

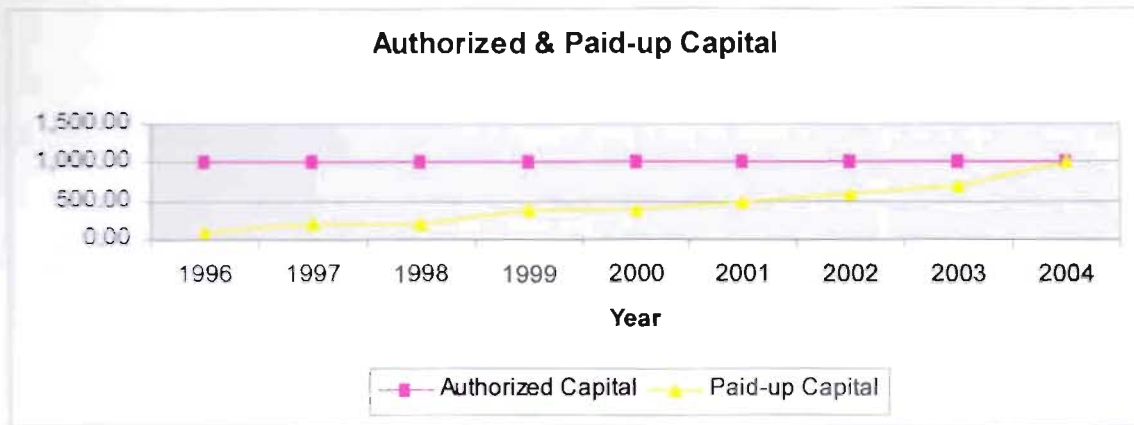
(Taka in Million)

Particulars	1996	1997	1998	1999	2000	2001	2002	2003	2004
Authorized Capital	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00	1,000.00
Paid-up Capital	100.00	200.00	200.00	400.00	400.00	500.00	600.00	700.00	1000.00

SOURCE: PRIME BANK LTD ANNUAL REPORT.

If we develop a trend line of this nine years data we will see the following results (See next Page)





**CHART: 4**

From the above chart it is evident that, Authorized Capital of the Bank still stood at Tk 1,000.00 (as on end of 2004) Million whereas Paid-up Capital is showing an upward growth. As we can see paid-up capital of year 2003 was Tk. 700 million but in year 2004 the amount increased to Tk. 1000 million. So PBL is increasing paid-up capital but not authorized capital. They are sticking with the same authorized capital every year.

## 6.2. DEPOSIT PERFORMANCE

Despite of their low offering, Prime Bank Limited was able to mobilize substantial deposits through various deposit schemes. Deposit mix of Prime Bank Ltd contains mainly the following categories:

- Current and other deposit
- Savings bank deposit
- Bearer certificate of deposit
- Fixed deposit
- Short term deposit
- Deposit schemes
- Bills payable

Deposits of Prime Bank Ltd of previous nine years is given to the following Table: 9

**TABLE 9:**  
Deposits of PBL

(Taka in Million)

Year	Deposits	Growth Rate
1996	3144.77	
1997	4236.18	34.71%
1998	5313.25	25.43%
1999	7660.02	44.17%
2000	11168.72	45.81%
2001	13259.87	18.72%
2002	16481.60	24.30%
2003	20483.23	24.28%
2004	28069.24	37.04%

SOURCE: PRIME BANK LTD ANNUAL REPORT.

From the given table the trend of deposit collection of Prime Bank Ltd for the previous nine years is given below:

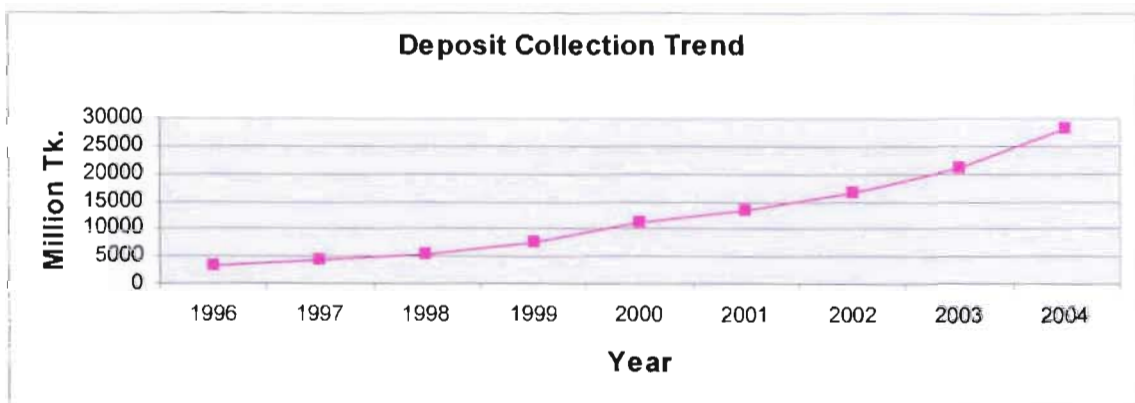


Chart: 5

From the above trend line we see that, Deposit Collection for the first three years was standing around 5000.00 Million Taka. After that time it is showing an upward moving growth. From year 1999 the deposits of PBL increased. At the end of 2004 total deposits stood at Tk. 28069.24 Million compared to Tk. 20483.23 Million from the preceding year.

### 6.3. LOANS & ADVANCES

With a view to improving the quality and soundness of loan portfolio, credit risk management methods were updated in 2003. The bank is now applying a new system of credit risk assessment and lending procedures by sticker separation of responsibilities between risk assessments and lending decisions and monitors its exposure to particular sectors of economy on an ongoing basis. As before the bank continued extending credit facilities to Trade Finance, Project Loans, Working Capital and Consumer Credit etc. the Bank has all along encouraged small business group and supported Small and Medium Enterprise (SME). Agriculture and IT sectors both got priority from the Bank in line with the national interest. The Bank has also extended long-term loan to a number of projects under structured financing scheme with banks and financial institutions.

Loans and Advances of Prime Bank Ltd of previous nine years is given to the following Table: 10

(See Next Page)

TABLE 10:

## Loans &amp; Advances

(Taka in Million)

Year	Amount	Growth Rate
1996	1202.60	
1997	1752.11	45.69%
1998	3127.77	78.51%
1999	5121.03	63.73%
2000	7707.05	50.50%
2001	9074.94	17.75%
2002	12686.85	39.80%
2003	16492.22	30%
2004	23219.67	40.79%

SOURCE: PRIME BANK LTD ANNUAL REPORT.

From the above table, the growth rate indicates in year 1998 the percentage of loans & advances was high that was 78.51%. In year 2001 the rate was exceptionally low that was 17.75%. So the trend is not stable but it has a balance growth rate.

From the given table the trend of the loans and advances of previous nine years is given below:

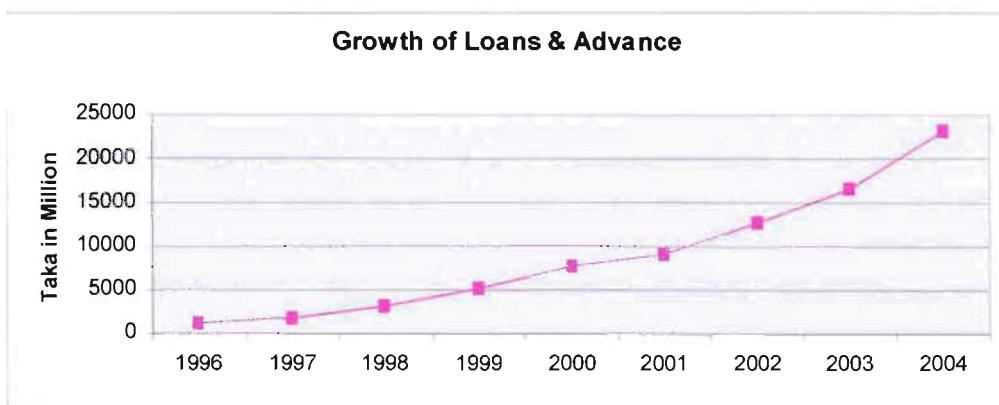


Chart: 6

From the above chart we see that, up to the year 2000, the growth of loans and advance were steady and after that it is showing a sharp increase for the last two years. From year 2001 the loans and advances are going upward. In year 2001 the loan was Tk. 9074.94 million. At the end of 2004, total loans and advances amounted to Tk. 23,219.67 million compared to the Tk. 16,492.22 million in 2003. This means that, the Bank is now providing more loans to its customers than that of any preceding years.

Earning per Share (EPS) of Prime Bank Ltd of previous nine years is given to the following Table: 11

**TABLE 11:**  
**EARNING PER SAHRE (EPS) OF PBL**

(Taka in Million)

<b>Year</b>	<b>Amount</b>
1996	171.98
1997	18.60
1998	5.22
1999	51.47
2000	90.11
2001	96.60
2002	59.73
2003	37.55
2004	61.19

**SOURCE: PRIME BANK LTD ANNUAL REPORT.**

- ❖ The higher EPS in year 1996 indicates exceptionally high rate it means very good position of the bank. After that in year 1997 the EPS decreased and it continued to year 1999. In year 1998 the EPS was exceptionally low that indicates the position of the bank was not good. Then from 2000 the growth goes upward and again goes down. So, from the table we can have a view that the EPS during 1996 to 2004 is not stable. Sometimes the EPS showing a very better position of the bank but sometimes its not.

Return on Asset (ROA) of Prime Bank Ltd of previous nine years is given to the following Table: 12

**TABLE 12:**  
RETURN ON ASSET (ROA) OF PBL  
(Taka in Million)

<b>Year</b>	<b>Amount</b>
1996	5.37%
1997	0.74%
1998	0.15%
1999	2.40%
2000	3.36%
2001	3.38%
2002	2.38%
2003	1.72%
2004	2.16%

**SOURCE:** PRIME BANK LTD ANNUAL REPORT.

- ❖ The higher ratio of ROA indicates the better position of the bank. In year 1996 the ROA ratio was 5.37% which indicates, the bank's performance was better than the other years. And the bank's performance was not good comparatively in year 1997 and 1998. The ROA ratio of year 1997 was 0.74% and 0.15% in year 1998. Compare to year 1997 and 1998 in year 2004 the performance of the bank was good. The ratio was 2.16% in year 2004

Investments of Prime Bank Ltd of previous nine years is given to the following Table: 13

**TABLE 13:**  
Investments of PBL

(Taka in Million)

<b>Year</b>	<b>Amount</b>	<b>Growth rate</b>
1996	554.80	
1997	583.07	5.10%
1998	604.30	3.64%
1999	964.81	59.66%
2000	1524.54	58.01%
2001	1730.74	13.53%
2002	1996.23	15.34%
2003	2749.71	37.75%
2004	3083.81	12.15%

**SOURCE:** PRIME BANK LTD ANNUAL REPORT.

From the above table it can be known easily the investments of last nine years. From the year 1996 to 2004 it shows every year they have increased their investments. It means the earnings of the bank will increase in future as their investment is growing up. In year 2004 the amount increased to Tk. 3083.81 million which is a very good signal.





## CHAPTER 7

# FINDINGS & RECOMMENDATIONS

## 7.1. FINDINGS:

On the basis of previous analysis and practical experience of 3 months internship program, the following findings are observed during the research period:

- Non repatriation cases are very big problems for the bank. As I observe there are 11 cases remain non repatriate since 1995. It is a very big problem for the bank.
- Prime Bank Ltd. is following a conservative procedure for opening a LC. So conservatism is there to open L/C.
- Lack of available branches in remote areas of business and services.
- Lack of manpower in Foreign Exchange Department. In export division of motijheel branch there is lacking of manpower. The manpower of that section is not sufficient for service.
- Lack of promotion to expand the Foreign Exchange business.
- As Prime Bank Ltd. is not a foreign bank so they can not attract as much as clients for foreign trade. Because Clients prefer foreign bank for foreign transaction.
- Day by day new upcoming banks are coming with many new services which are a threat for the bank. So increased number of new bank creates sever competition in Foreign Exchange banking.

- Government new regulations like as L/C margin reduce the Foreign Exchange transaction.
- Bangladesh is a developing country and its economic growth is not that much high. So slow growth of the economy is a very vital problem for a bank.
- From the previous years it has been observing that frequently the currency of Taka is devaluating and dollar currency is going very high. And devaluation of Taka is hampering import business and other sectors too.
- Strict controlling of Central Bank in foreign currency endorsement.
- Prime Bank Ltd. is not using advance and develop software. They are using only one software.
- Prime Bank Ltd. is doing their Office work, vouching, accountings manually. But other banks are using many developed techniques and software.
- Most of the customers of the bank ask for more quality service especially quick, accurate service and good behavior from bankers as they think a private bank should provide such quality sufficiently. It has been found that inappropriate and slow work process often compels the customers to compare the bank with government bank, which is not a good indication for the reputation of the bank.

## 7.2. MY OBSERVATIONS & RECOMMENDATIONS:

I had the practical exposure in Prime Bank Ltd. for just twelve weeks, with my little experience in the bank in comparison with vast and complex banking system, it is very difficult for me to recommend. I have observed some shortcomings regarding operational and other aspects of their banking. On the basis of my observation I would like to recommend the following recommendations-

- 1) Margin and commission on L/Cs varies form customer to customer. A customer is allowed to open a L/C even with nil margins. I think that the bank should review the customers' behavior for a period of time and should develop a certain policy in this regard.
- 2) In case of Export L/Cs, the Government encourages the exporters by giving different facilities like tax-cuts. I think the bank should also think about such type of facilities to be given to the Exporters because Bangladeshi Exporters like Readymade garments Exporters are going to face a tuff situation in coming years from the exporters of other countries.
- 3) In case of Export L/Cs, sometimes customers insist to give their payments though their documents are found discrepant. In some cases, Bank has to give payment to these customers for different reasons. But it lessens the credibility of the Bank. I think the Bank

should be as stricter as possible about giving payments against discrepant documents without hurting the customers.

- 4) In many cases, the foreign banks want confirmations from other foreign banks with which this bank has correspondence. This proves the poor financial condition of our country. Banks should try to improve this situation.
- 5) The bank should try to arrange more training programs for their officials. Quality training will help the officials to enrich them with more recent knowledge of International Trade Financing.
- 6) To communicate with the Negotiating Bank, Advising Bank. Reimbursing Bank the branch uses SWIFT. As well as these media the Bank could use the E-mail, which is cheaper and faster than those media.
- 7) Over burden of work and ill defined assignment unable the employee to discharge their duties in cool manner. It is also creates a hazardous situation in the work process. So all the employee should be assigned with proper and specific assignment.

- 8) Bank can introduce more advance MIS system to mobilize its day to day activities. It will help the employee to do their works more quickly and maintaining their quality of work.
- 9) They should expand their business more balancing way which means they should not focus on a particular industry like readymade garments industries.
- 10) Prime Bank Ltd. foreign exchange department now using only one software and that is "PC BANK". But recently the bank is taking initiatives for installing new software named TEMONUS T24. It is very dedicated software. It has real time online banking, ATM facilities and E-banking and lot of more. So I think it will be a great progress for the bank.

I think the Management should employ at least few more employee in foreign trade department as I have seen from my practical experience that many customers wait for a long time for any service as they see that the three concerned officials are doing their best to meet the requirements of the customers but as the foreign trade procedure is designed with many small tasks.

# CHAPTER 8

# CONCLUSION

## CONCLUSION

It was great pleasure for me to do my Internship Program in a respected organization Like Prime Bank Ltd. Though my practical exposure in Prime Bank Ltd. for just twelve weeks it provides me a wide range of scope to observe the different functions of bank through the cordial assistance of its members. I had the scope to observe the functions of focused on Foreign Exchange banking system especially in export division.

What I have observed the bank has the vision to be the best Private Commercial Bank in Bangladesh in terms of efficiency, capital adequacy, asset quality, sound management etc.

The bank is maintaining a well-structured communication from top to bottom level. Each official should be valued and treated as a part of the bank and they must have the privilege to devote themselves for the betterment of service of the bank. Prime Bank places utmost importance on managing credit risk. The whole process includes management of Credit Risk, Foreign Exchange Risk, Prevention of money Laundering, Asset liability Management, Internal control and Compliance.



The 10 years success story though helped the bank to attain a leading role but to remain unrivalled among new generation banks, the bank must face new challenges.

Overall, the bank must make a positive attempt to be more outward looking in their goals and aware of what is happening. They must also emphasize on the domestic scenario more closely and analyze any certain trends and strategies of their competitors. The bank must accept any failures and think of them as an objective to pursue future goals instead of blaming such failures on other factors. I hope in spite of my all limitations, this experience of sharing works with such working environment will help me a lot in my professional life.

## BIBLIOGRAPHY

1. Madura Jeff ; Financial markets and institutions
2. Busto Del Charles ; ICC Uniform Customs and Practice for Documentary Credits  
1993 Revision in force as of January 1, 1994
3. Rashid Harun-ar- Sk.& Dr.Chowdhury Saiful Karim M. ;  
International Trade and Foreign Exchange (March 06-19, 2002)
4. [www.prime-bank.com](http://www.prime-bank.com)
5. Annual Report of Prime Bank Ltd.