Internship Report

on

Foreign Exchange Activities of First Security Islami Bank PLC

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Bachelor of Business Administration

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Prepared for:

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Letter of Transmittal

To,

Ms. Shah-Noor Rahman

Assistant Professor

Faculty of Business Administration & Entrepreneurship

Daffodil International University

Subject: Submission of the Report Titled "Foreign Exchange of First Security Islami Bank PLC".

Dear Sir,

With due respect, I am Abu Hena Md. Ahsan Habib Sonet, the undergraduate students of BBA 51 batch have reported on "Foreign Exchange" under the Internship.

Even though I'm still studying, this report has helped me understand the course's main ideas. Thus, it turns into a really interesting and difficult experience.

Your encouraging thought in developing an idea is greatly appreciated. It would not have been possible to complete this report without your inspiration.

Finally, I would appreciate it if you could give me your sage advice on the subject.

Yours' sincerely,

Abu Hena Md. Ahsan Habib Sonet

ID: 183-11-5983, Major in Finance

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Approval Certificate

This certifies that **Abu Hena Md. Ahsan Habib Sonet, ID number 183-11-5983, BBA** (Finance), is a timely student at the **Daffodil International University** Bachelor of Business AdministrationD, Faculty of Business & Entrepreneurship. Within three months he finished working as an intern at First Security Islami Bank PLC with diligence. Under my guidance, he completed his internship report. The subject of his internship is **“Foreign Exchange of First Security Islami Bank PLC”**.I looked through the study and found a report that was well written. On his won, he finished the report.

I wish him al the happiness of life

.....

Ms. Shah-Noor Rahman

Assistant Professor

Faculty of Business Administration & Entrepreneurship

Daffodil International University

Acknowledgement

First and foremost, I want to sincerely thank my advisor, **Ms. Shah-Noor Rahman**, an **Assistant Professor** in the Daffodil International University's, Department of Business Administration, for her unwavering support of my research and studies as well as her patience, inspiration, zeal, and vast knowledge. Throughout the entire research and thesis writing process, I found her guidance to be beneficial. I couldn't ask for a greater mentor and counsellor for my "Internship Report."

Last but not least, I would want to thank my family, especially my parents, for their unwavering spiritual support throughout my life, as well as my fellow classmates at Daffodil International University for the thought-provoking conversations and restless nights.

Executive Summery

First Security Islami Bank PLC, founded on August 29, 1999, is a prominent Islamic bank in Bangladesh that adheres to Sharia-compliant banking principles. Mohammed Saiful Alam, chairman of the S. Alam Group of Industries, played a key role in the bank's leadership for many years.

However, in 2022, the bank faced significant financial difficulties due to a cash crunch resulting from large unsecured loans. This situation raised concerns about the bank's stability and governance. In a significant move, the Bangladesh Bank dissolved the board of First Security Islami Bank on September 1, 2024, citing the need for reform. Independent directors were appointed to oversee the bank, marking a crucial step toward restoring confidence and ensuring better financial practices. This intervention reflects broader efforts to enhance the integrity and stability of the banking sector in Bangladesh**.**

This report aims to provide an insight of **First Security Islami Bank PLC** 's foreign exchange operations for the 2019–2023 timeframe.

L/C, import, and export procedures are the major components of foreign exchange activities. FSIBL is currently focusing on various export incentives to draw in current and new clients. 584 foreign correspondents are employed as of December 31, 2023. In order to support the bank's expanding overseas trade operations, efforts are still being made to further develop the correspondent relationship.

In order to guarantee better remittance services for its clients, FSIBL should also expand its network of banks and foreign exchange firms worldwide. Additionally, each branch should offer internet banking to promote remittances.

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Introduction

1.1 Introduction

I am fortunate to have been given the report on "Foreign Exchange Operations of First Security Islami Bank PLC " by Daffodil International University in Bangladesh. The most recent years' reports provided the information needed to prepare this report.

This report's specific goal is to highlight First Security Islami Bank PLC 's "Foreign Exchange" operations. Foreign exchange is without a doubt under the spotlight because it is crucial to the economy's trade balance. Banks is essential to keeping him disciplined. This paper was written to help First Security Islami Bank PLC employees better understand foreign exchange operations. International business is becoming a fairly regular activity in company, and it is becoming increasingly important for conducting business. A company organization must compete for its survival and profitability in this period of globalization, which necessitates that it engage in export, import, and remittance activities for their international financial transactions. The best financial intermediaries to carry out those tasks are banks.

1.2 Origin of the Report

Although the entire B.B.A curriculum contains a superb combination of classroom and theoretical information, this internship program enables a student to highlight their theoretical knowledge and apply it in a practical setting. This report was written as a requirement for the internship. When they are assigned to the internship period as BBA students with the topic evaluation of Foreign Exchange Activities of First Security Islami Bank PLC, many recent graduates are given the opportunity to experience actual banking activities of various departments each year, a leading & outstanding commercial based bank in the area of banking business. The bank makes investments in many modern economic sectors based on the requirements and desires of society and the nation as a whole. The Bank takes involved in a variety of initiatives that are designed to build infrastructure, conduct government-led development projects, and create jobs.

1.3 Objectives of the Report

The purpose of this study is to provide an insight of Frist Security Islami Bank PLC's foreign exchange operations from 2019 to 2023.

The study's particular goals are:

- To research FSIBL PLC's import and export policies as well as its remittance trends.
- To give a general overview of the procedures and kinds of L/C required to carry out foreign exchange operations.
- To identify certain findings and make a recommendation based on the objectives mentioned above.

1.4 Importance of the Report

In the world, Bangladesh is regarded as a developing nation. This nation's economy still has a long way to go and has a ton of room to grow significantly. Foreign exchange can significantly contribute to the improvement of the economic situation in a country with an economy like Bangladesh. In order to offer the essential finance to those sectors that require a proper start for the sound development of the economy, banks serve the role of an intermediary that can mobilize the surplus funds from surplus sectors. This study represents a comprehensive effort to reflect a firm understanding of Bangladesh's foreign exchange business strategies, operations, and performance.

1.5 Limitations of the study

Some information and data could be absolutely necessary for obvious reasons. The investigation has been carried out from start to finish with the goal of making it as thorough and accurate as possible. But there are some restrictions on how this report can be prepared.

- Accessing the most recent data on internal operations is difficult.
- Certain details have been suppressed to protect the Bank's confidence.
- There is not nearly enough time to draw meaningful conclusions about the foreign exchange Market.
- The organization's constraints and restrictions prevented large-scale research from being Done.

1.6 Methodology of the Report

Data sources,
The experience gained throughout the internship time served as the foundation for this report's preparation. The report was created using secondary data sources. Secondary sources were used to collect the data for this study. The office and related circulars were also reviewed.

1.6.2 Secondary Sources

- Banks' Annual Report.
- The banks' websites.
- The Bangladesh Bank Report;
- many publications and magazines pertaining to the banking industry

Chapter 02

Organizational Profile Of
First Security Islami Bank PLC

2.1 Profile of “First Security Islami Bank PLC’’

First Security Islami Bank PLC is a modern bank that employs state-of-the-art technology and conforms with Islamic Shariah laws and regulations.

In the history of the nation's banking sector, First Security Islami Bank PLC is one of the Islamic banks with a new tradition for the current Islami Banking program. This bank follows all Islamic principles and is entirely based on Shariah. This bank has started operations and is gradually but steadily moving closer to its objective.

On August 29, 1999, According to the Companies Act of 1994, First Security Islami Bank PLC was established as a financial institution in Bangladesh. On September 22, 1999, Bangladesh Bank gave it permission to start up. The Chittagong Stock Exchange (CSE) and the Dhaka Stock Exchange (DSE) both list the Bank's shares, which both launched their initial public offerings on July 20, 2008. Currently, the Bank operates 168 branches, 128 ATM booths across the nation, two foreign exchange offices in Canada and Italy, and a total of 168 ATM booths. On January 1, 2009, the Bank changed its banking business from traditional banking to Islamic banking based on Islamic Shariah. The Bank's main duties include offering its clients banking services and all kinds of commercial loans via its branches in Bangladesh.

2.2 Vision of Bank

First Security Islami Bank PLC wants to elevate the standard of its banking operations to the point where it is among the top banks in Bangladesh. To fulfil its organizational objectives, the bank has a mission.

Here is a list of them.

- The bank favours high capitalisation.
- It upholds high standards for business and corporate ethics.
- The finest quality services offered by First Security Islami Bank PLC entice people to choose them first.

2.3 Mission of Bank

- To achieve the greatest degree of satisfaction by having committed and driven professionals provide services.
- To sustain steady market share increase while maintaining quality.
- To establish the full value of the honourable shareholders and guarantee sustainable growth.

2.3 Organizational Structure:

Under the leadership of Managing Director Mr. A. A. M. Zakaria, FSIBL boasts a competent management team. The bank's company is currently being advanced by two DMD, one Principle (Training Canter), two SEVP, fourteen SVP, eight VP, five FVP, eleven SAVP, five AVP, and three FAVP, among other senior executives.
483 executives and officers make up the bank's human resource strength, which supports the top management. The following committees have been constituted in order to ensure the Bank operates smoothly: Senior members of the management make up the management committee (MANCO), which is led by the bank's managing director. Managing balance sheet risk is the responsibility of the Assist Liability Management Committee (ALCO), which is directed by the Managing Director. The committee participates in the monthly ALCO meeting and examines the liquidity situation, the interest rate on loans and deposits, the ALCO papers on presentations given by the Treasury back office on the position of profit, deposits, advances, cost analyses, maturity buckets of deposits and advances, balance sheets, profit and loss accounts, and a host of other subjects related to bank operations and asset and liability management.

2.4 Internal Control and Compliance:

Errors and fraud resulting from a lack of internal control and compliance can cause operational loss. A vice president leads FSIBL's distinct Internal Control and Compliance (ICCD) section. There are three units in this division, specifically:

(a) Units for Audit and Inspection
(b) Compliance Units
(c) Monitoring Units

2.6 Corporate Governance:

The term "corporate governance" explains how a company manages its activities to meet its goals. Bangladesh Bank (BB) emphasises adhering to the guidelines they have set for improving corporate governance in banking in order to implement corporate governance among financial organisations. Effective corporate governance practices enhance a company's market credibility and corporate image, which boosts its borrowing and capital recruitment capabilities.

2.7 Executive Committee:

In accordance with Bangladesh Bank norms, FSIBL established a nine-person executive committee of the board, of which the managing director is an ex-officio member. In order to optimise shareholder value and protect the interests of other stakeholders, the board's executive committee is responsible for developing policies and plans for the bank's operations and expansion. The executive committee is led by the bank's current chairman of the board of directors, Mr. Alhaj Md. Saiful Alam.

2.8 Audit Committee:

The establishment of a safe and effective banking system can be greatly aided by an audit committee that FSIBL has established. The newly established Audit Committee now has three directors. Corporate governance laws stipulate that the audit committee chairperson must possess extensive knowledge in accounting, auditing, and finance. Mr. Hamidul Haq, a director of the bank, is the person who convenes the committee. He has been active in the banking sector for a long time.

2.9 Products & Services:

Locker Services	Yearly Charge	Security Deposit	Service Available at
Small	Tk. 750/-	Tk.2, 50/- (Refundable) For all lockers.	**Gulshan Branch**
Medium	Tk. 1,250/-		**Dhanmondi Branch**
Large	**Tk. 2,000/-**		

2.9.1 Loan Schemes:

1. A term loan
2. General Loan
3. SOD, or secured overdraft
4. Loan for Transportation
5. Credit for Cash (C.C.)
6. Home Improvement Loan
7. Document-Based Payment (PAD)
8. Imported merchandise loan (LIM)
9. Loan against Receipts of Trust (LTR)
10. The Consumer Finance Plan
11. The Hiring-Purchasing Plan

2.9.3 Saving Bank Account

Customers typically open this kind of account at a low interest rate for security's sake. This commercial encourages people to save money as well. This account is typically started with 100 Taka. Interest is due in June and December, every six months. Withdrawals made twice a week are not eligible for interest payments, when the total amount taken out surpasses taka 10,000 (if it is 25% greater than the total deposit). A loan is guaranteed by this account.

2.9.4 Internet Banking

Consumers will need to be able to access the Internet. As a customer of Internet Banking, he will be given a secure password and a unique user ID. The client can then use the internet to verify the balances in his accounts. It is the method for protecting Internet connections that is accepted by the industry.

2.9.5 ATMs, or automated teller machines

Automated Teller Machines (ATMs), a new concept in modern banking, have already been put into place to allow consumers to access cash 24/7 with a plastic card. The ATM installation network will be sufficiently expanded to allow clients to access banking services outside of branches.

2.9.6 Tele Banking

Consumers can use telebanking to access their personal banking information at any time. Subscribers can update themselves by calling a certain number. They can move any deposit amount from their home or place of business to another account.

2.10 SWIFT

SWIFT, a non-profit cooperative owned by banks, was founded in Belgium and provides services to the international financial industry. 178 countries are home to 6,495 banks and financial institutions, it ensures secure messaging around-the-clock. On the SWIFT global network, 4 million messages are sent every day on average, with an average message value of USD 2 trillion for payment communications.

Access to SWIFT enables the bank to send L/C, payment, and other messages to its clients in a faster and more secure manner. Among other things, our clients who deal with imports, exports, and remittances will find it quite useful. In an effort to satisfy its clients, FSIBL constantly strives to provide the greatest goods and services, The bank offers its clients the following goods and services.

2.11 Deposit

FSIBL constantly offers high interest rates in an effort to get deposits from its customers. In consideration of the client's request, the bank offers the following deposits.

Deposit Schemes	Deposit Rate (D.R.)
Savings (SB)	**7.50%**
Special Notice Deposit (STD)	**6.00%**
Fixed Deposit	
01-03 Months	**6.50%**
6 (Six) Months	**6.50%**
1 (One) Year	**6.00%**
2 (Two) Years	**6.50%**
3 (Three) Years	**07.00%**

Chapter- 03

Financial Performance Analysis of First Security Islami Bank PLC

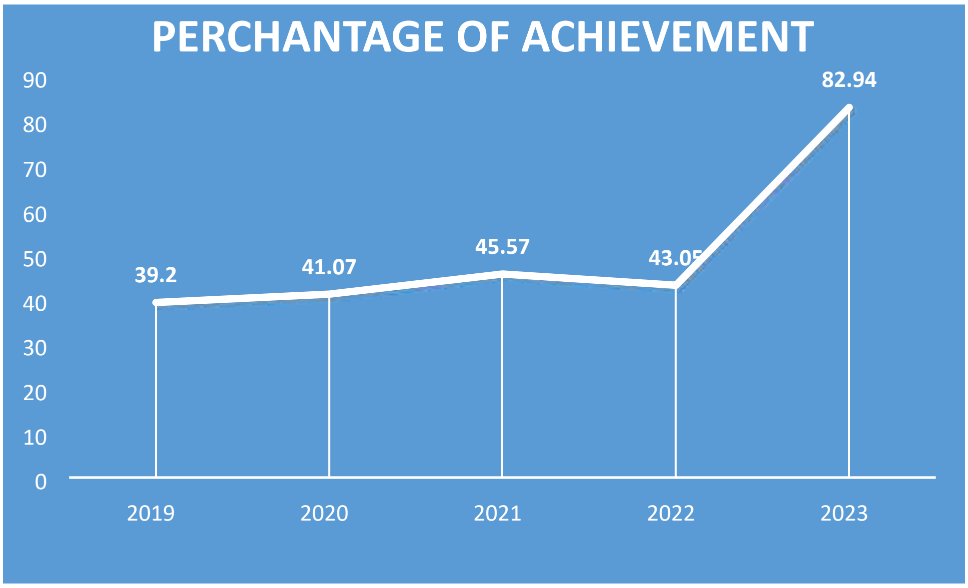
Financial Performance Analysis:

When compared to domestic markets, overseas markets have unique dynamics. Foreign markets are unlike any others in the financial world due to their speed, volatility, and massive size. The bank has a well-organized foreign exchange risk management system that is backed by a dealing room manual and a foreign exchange risk manual that are both written in accordance with international standards.They have also established a Risk Management Unit (RMU) in accordance with Central Bank regulations and adhere to any and all directions that the Central Bank may provide from time to time.

Import Performance of FSIBL, Dhanmondi Branch:

YEAR	Target	Foreign LC	Local LC	Total LC
2019	490	100	95	195
2020	500	110	100	210
2021	523	73.08	165.23	238
2022	500	213.20	2.05	215
2023	493	403.19	5.71	409

Source: (Dhanmondi Branch Data)



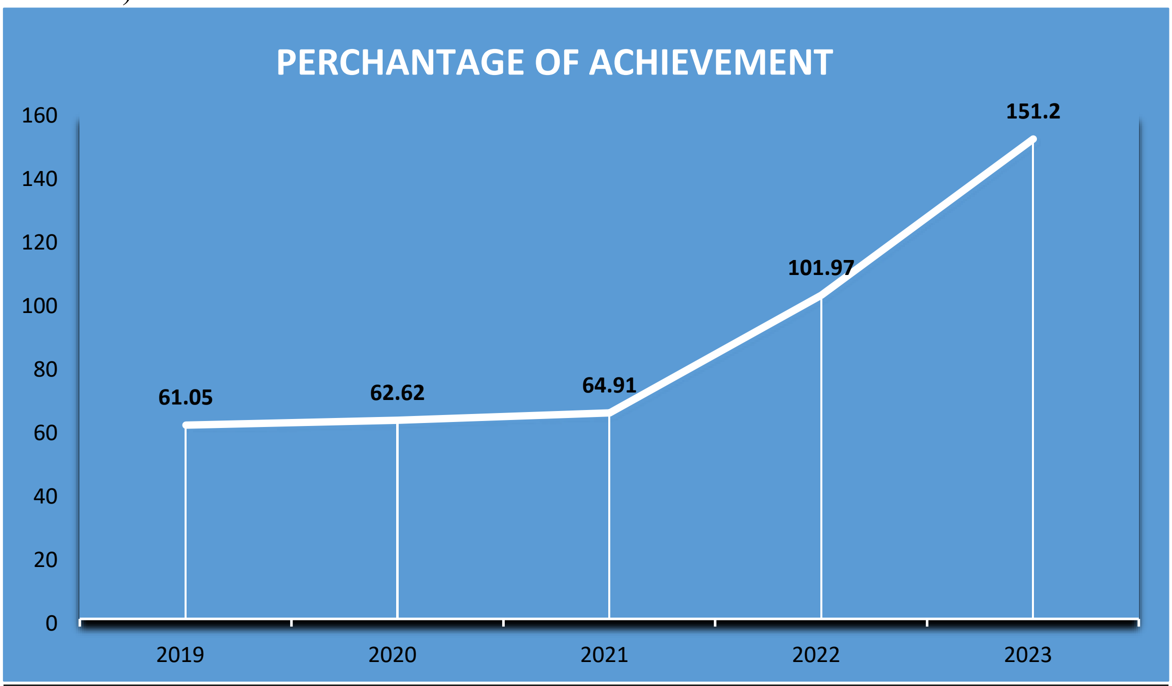
Achievement up to 2023(Tk in crore)

Interpretation: The graph illustrates that the FSIBL Dhanmondi Branch achieved import business of TK. 409 crore in 2023. as against target of TK. 493crore. Achievement is 82.94% with 39.89% growth rate. Its performance in import business in last 3 years was not up to the mark. The prospect of import business in our country is hopeful. So, it needs to develop its area of business.

Export Performance of FSIBL, Dhanmondi Branch:

Number of Years	Target	Foreign	Local	Total
2019	190	20.01	96.00	116
2020	198	24.00	100.00	124
2021	203	26.99	104.79	132
2022	195	12.95	185.90	199
2023	220	17.30	315.33	333

Source: (Dhanmondi Branch Data)



Achievement up to 2023(Tk. in crore)

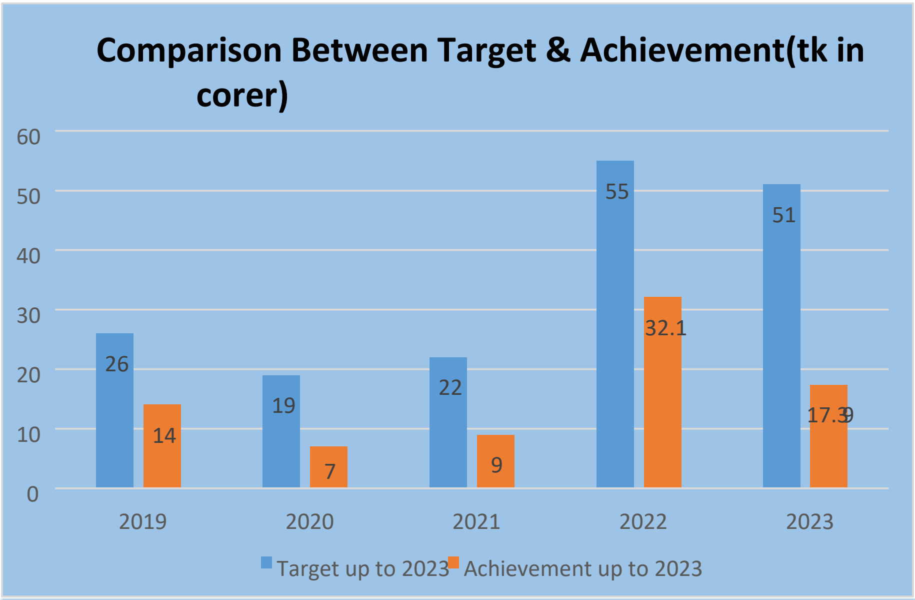
Interpretation: Since the beginning, the Branch has given special attention to export finance. It processed 1196 export documents worth BDT 333 crore in 2023, a 49.83% increase over the previous year.The main export item were items were cotton, readymade garments, leather and leather goods etc.

The graph indicates that from 2019 to 2023, the branch's export business grew significantly, especially in 2022, with an impressive average growth rate of 88.23%, suggesting that FSIBL can continue to thrive in this sector.

Remittance Perfomance of FSIBL, Dhanmondi Branch :

Year	Target(Tk in crore)	Achievement(Tk in crore)	Percentage
2019	26	14	53.84%
2020	19	7	36.84%
2021	22	9	40.90%
2022	55	32.1	58.36%
2023	51	17.39	34.10%

Source: (Dhanmondi Branch Data)



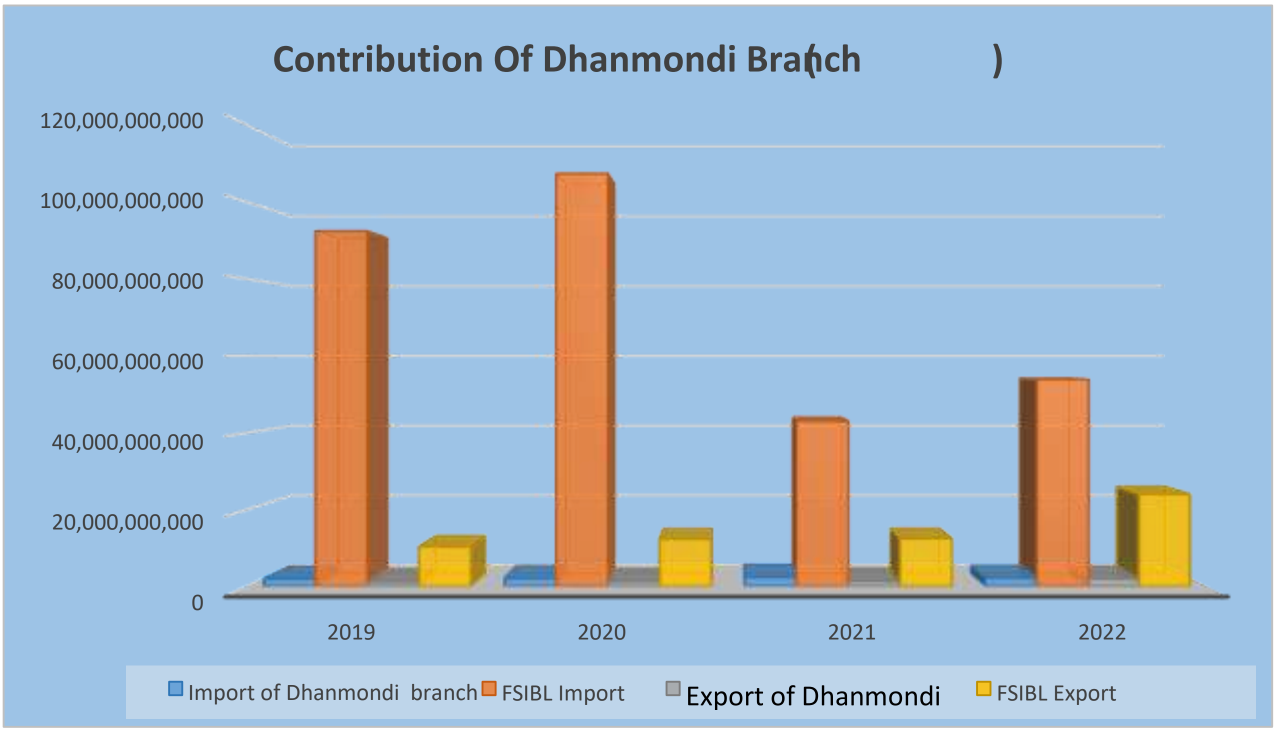
Interpretation: The graph shows that throughout the years 2018 through 2020, the Remittance Business of the branch was no so good 2021 it was BDT 32.1 corer. Which is highest amount in 5 years But in 2023 it has slightly decreased by 24.26%. The growth is on average 44.80% which is a good sign. Although there are huge fluctuation in achievement, But in future the branch of FSIBL can achieve better performance in their remittance business.

Contribution of FSIBL Dhanmondi Branch Bank up to December 2022:

Year	Import of Dhanmondi branch	FSIBL Import	Percentage	Export of Dhanmondi Branch	FSIBL Export	Percentage
2019	1,950,000,000	9,243,1300000	2.1%	1,160,000,000	1,033,7700000	11.22%
2020	2,100,000,000	1,073,85700000	1.9%	1,240,000,000	1,228,0700000	10.09%
2021	2,380,000,000	4,302,1100000	5.53%	1,320,000,000	1,241,2100000	10.63%
2022	2,150,000,000	5,384,5700000	3.99%	1,990,000,000	2,396,5600000	8.3%

Tk in Corer.

Source: (FSIBL Annual Report, 2022)



Interpretation: This Graph and chart implies that the Contribution of FSIBL Dhanmondi Branch to FSIBL Bank from 2019 to 2022(due to unavailable of financial report 2022 it is impossible show that in figure).In 2022 the branch provide 2,150,000,000tk from import and 1,990,000,000tk from export which is 3.99% and 8.3% of whole import and export of the bank. The branch has great contribution in import and export.

Chapter 04

L/C
Letter of Credit

4.1 Foreign Exchange Division

The foreign exchange department is the bank's international division. It operates internationally. Its diverse range of services makes international trade easier. Between importers and exporters, it acts as a bridge. If the branch is a licensed dealer in the foreign exchange market, it is permitted to transfer foreign currency between nations.

4.2 What Is Foreign Exchange

Each country has inherent strengths and weaknesses in some areas, as well as inherent advantages and disadvantages in producing specific items. We discover as a result that certain nations must import particular commodities while others must export their surpluses. The earth's bounty reaches the households of the most impoverished nations thanks to international trade. These exchanges serve as the foundation for international trade.

4.3 Importance of Foreign Exchange Business

In order to secure profitability, FSIBL places the utmost priority on its foreign exchange business. Since its inception, FSIBL has continued to place a specific emphasis on international business, a practice that has persisted all year.

- Opportunities to exchange goods are provided by international trade.
- Through international trade, consumers have privileges.
- Both home and global production are aided by international trade.

There are three categories for foreign exchange.

- Export,
- Import,
- Foreign remittance,

4.4 EXPORT

As bankers, we describe export as the sending of tangible goods beyond the country for sale. The phrase "exports" refers to moving anything from one country to another. In a nutshell, export denotes the movement of both goods and foreign cash. In order for an economy to develop, export commerce is essential.

4.5 Export Business of FSIBL

- The exporter must have a verified copy of the aforementioned documents and the most recent ERC in order to export any products or services to foreign countries. The following are the documents:

- Commercial invoice;
- Bill of exchange;
- Origin certificate;
- Packing list;
- Insurance coverage If the financial authorities is satisfied with all of the exporter's information, the export process is accelerated.

- **Bill of Exchange:**

The bill of exchange is one of the most crucial bargaining tools in the world of business and is necessary for the payment settlement between a buyer/importer and a seller/exporter both domestically and abroad. When a bill is accepted by the drawer, it serves as both proof of the drawer's claim and confirmation that the debt has been accepted. According to the conditions of the sale agreement or through an L/C that the buyer or importer has opened in the seller's favour, payment is made.

- **Bill of Lading:**

  The document that is typically mentioned in a credit when items are shipped by sea is called a bill of lading. It serves as a receipt for the products, proof of a transport contract, and a record of ownership for the items. It also satisfies the requirements to be considered a document that could be required to substantiate an insurance claim.

  - The bill of lading should contain the following information.
  - A broad description of the products that is compatible with the credit description. Recognising numbers and marks.
  - The transporting vessel's name.
  - Proof that the cargo has been loaded onto the ship.
  - The ports of discharge and cargo.

- **Commercial Invoice:**

The accounting document used to charge the customer for the products is called an invoice. Typically, a commercial invoice contains the following details:

- Date;
- Buyer and Seller Name and Address;
- Order or Contract Number, Product Quantity and Description, Unit Price, and Total Price;
- Product Weight, Package Count, and Shipping Marks and Numbers; Delivery and Payment Terms

- **Certificate of Origin:**

  Providing proof of the goods' origin, a Certificate of Origin is a written declaration that has been signed.

- **Packing List:**

  This document is a stand-alone document that hasn't been combined with any others. Below is a list of each package's contents, cartoons, and other relevant details.

- **Insurance Document:**
  The insurer agrees in an insurance contract to cover the guaranteed against inevitable losses in the manner and to the degree specified. The following information is typically included in an insurance document:

- The name of the ship or carrier
- The name of the assured
- The name of the insurer or his agent
- The insurance subject matter

4.6 Procedure of Export

The Exports Act of 1950 regulates the country's export industry. A number of conditions must be met by an exporter before and after the items are shipped. The following is a list of these export mechanism formalities:

- **Registration**

The ministry of commerce is represented by the chief controller of imports and exports, who is able to oversee the export of Bangladeshi commodities. Exporters who are not registered with CCI & E and who do not have a valid export registration certificate (ERC) are not permitted to export any goods that are permitted to leave Bangladesh.

- **Obtaining EXP**

Following registration, the exporter applies for EXP with the bank, providing a trading licence and ERC. The exporter gets an EXP if the bank is happy. The exporter can proceed with securing the export order after gaining registration. Speaking with the buyers directly will help you do this.

- **Contract Signing:**
  When signing a contract, the following details should be included:
  - Product description
  - Product quantity
  - Product price
  - Delivery

- Insurance and markings
- Examination

- **Procuring the Materials**

  The next step for exporters is to start working on acquiring the contracted goods after the sale is finalised and the L/C is opened in their favour. Bills for foreign documentaries should be collected, According to FDBP, the exporter will only get payment if the issuing bank completes the transaction. The initial entry in the FDBP record is established when the exporter sends copies of the commercial invoice and theEXF form to the issuing bank for collection.

- **Advising L/C**

  The bank tells the beneficiary in writing that the export L/C has been issued when it receives an export L/C for advise. The steps involved in advising L/C are as follows: Examine the signatures.
  - Added to the L/C advising registry.
  - Issued the L/C advising commission voucher.

- **Letter of Credit (L/C):**

  A letter of credit (L/C) is an arrangement between an importer and a bank (issuing bank). L/C is granted by the bank to buy products from the exporter. Customers make payments after receiving the goods in accordance with the conditions of the bank's transaction with the exporter on their behalf.

- **Requirement of Opening a L/C:**

  • Current deposit account holder;

  • Import policy;

  • L/C authorisation form properly registered;

  • L/C applications properly completed and signed;

  • Contract/indent;

  • Insurance coverage;

  • Income tax document;

• Contingency liability voucher;
• L/C registration

4.7 Parties of a Letter of Credit:

Credit Applicant: The importer or buyer who requests and authorizes the credit letter's opening is referred to as the credit applicant.

- Opening Bank: The Issuing Bank is the bank that, upon the importer's request, opens a Letter of Credit. The buyer's bank, sometimes known as the opening bank, is the issuing bank.
- Beneficiary: The individual in whose favor a Letter of Credit is opened, typically the product's seller, is known as the beneficiary.
- Advising Bank: The vendor is advised to provide a Letter of Credit by the "advising bank." The foreign correspondent of the importer's bank is often this bank.
- Conforming Bank: If the advising bank personally pledges to uphold the credit when advising the credit's beneficiary, it becomes the conforming bank. Additionally, the conforming bank is now required to pay for any documents that comply with the terms and conditions of the letter of credit.
- Negotiating Bank: The negotiating bank is the bank that bargains over the exporter's bill (draft) that is drawn on the credit.
- Accepting Bank: The accepting bank is a financial organization that, in accordance with the Letter of Credit, takes time or uses drafts on behalf of the importer.
- Paying Bank: The paying bank, sometimes referred to as the drawer bank, is the one that actually transfers funds to the receiver (as specified in the Letter of Credit).
- Reimbursing Bank: An alternative plan is put in place to pay the issuing bank back for the amount owed under a credit from another bank in the case that the originating bank does not have an account with the negotiating bank.

- **4.8 Types of Letter of Credit:**

Letters of credit come in a variety of forms and are utilised in various nations worldwide. However, only two kinds of letters of credit are indicated by the International Chamber of Commerce's (ICC) UCPDC-500;

- **Revocable Letter of Credit**
  A revocable credit may be changed or canceled at any time by the issuing bank without giving the beneficiary any notice. This kind of letter of credit can be canceled or withdrawn at any time without the beneficiary's knowledge or consent.

- **Irrevocable Letter of Credit**
  A documentary credit that cannot be changed without the consent of all parties—the buyer (the applicant), the beneficiary (the recipient), the issuing bank, and the confirming bank (if the Letter of Credit has been verified)—is known as an irreversible credit.The seller still depends on the commitment of a foreign bank, but they have additional payment security with irrevocable credit.

- **Cash Letter of Credit**
  The import letter of credit is not supported by an export letter of credit, and cash is paid in lieu of export revenue. The payment period is visible.

- **Deferred Letter of Credit**
  The terms of payment were the only distinction between a deferred letter of credit and a cash letter of credit. After a certain number of days following the presentation of the export bill, a deferred letter of credit is paid.

- **Back-to-Back Letter of Credit (BTB L/C):**
  A subsequent letter of credit is referred to as a new credit. The original credit serves as the bank's primary security. Using a master L/C, L/Cs are opened bank to back. Multiple L/Cs are open against a single master L/C.

The following are prerequisites for opening a back-to-back L/C:

- L/C master.
- Both the export and import registration certificates are valid.
- A properly completed and signed LCA form and L/C application.
- An indent or pro forma invoice.
- A cover note for insurance.
- •A properly signed IMP form.

4.9 Items Period

- 180 days is the maximum for back-to-back imports.
- Industrial raw materials for agriculture (for personal use) 180 days at most
- Chemical fertiliser and implementations 180 days at most
- Capital Machinery Maximum 360 days
- Coastal Vessel Maximum 360 days
- Life Saving Drugs Maximum 90 Day

4.10 Receiving the Letter of credit:

The exporter should ask the buyer for a letter of credit (L/C) outlining the terms and conditions for export and payment as soon as they get the sales contract.The primary considerations for receiving or collecting export revenues using Documentary Credit are as follows:

a) The L/C's terms align with the conditions of the contract.
b) The L/C is final and should ideally be verified by the advising bank.
c) The L/C gives enough time for negotiation and shipment;

After Making Shipment of Goods:

Following that, the exporter must organise for the shipment of the goods in compliance with the conditions of the L/C and Inco, prepare the shipping documentation, and quickly submit it for payment, acceptance, and negotiation. Submitting the documents to the bank for negotiation is the last step.

4.11 Export Financing:

An essential aspect of a bank's operations is financing exports. Four steps of the export procedure demand financial services from the exporter. Depending on the specifics of the export deal, exporters require different kinds of financial assistance during each of these stages.

- Pre-shipment credit
- Post-shipment credit

4.12 Packing Credit (P.C):

Packing credit is essentially a short-term loan that a bank extends to an exporter to assist with the acquisition, processing, production, packing, and shipping of goods. Generally speaking, banks provide short-term aid in the form of packing credits to make it easier for goods to move from rural areas to shipping ports. This type of credit is permitted during the time frame between the items' shipment and the negotiation of the export papers.

4.13 Foreign documentary bill purchase (FDBP):

In order to collect and pay the BTB L/C, the client may occasionally deliver the export gbill to the bank. The bank then pays the exporter after purchasing the bill. After PBL deducts the bill amount from BTB, the remaining funds are either paid to the client in cash, credited to his account, or issued as a pay order.

PBL keeps a separate registry called the FDBP Register for this purpose. The following details are included in this register:

- Date
- Reference Number (FDBP)
- Drawer's Name
- Collecting Bank Name
- Conversion Rate
- Bill Amount in Taka and Figure
- Export Form Number

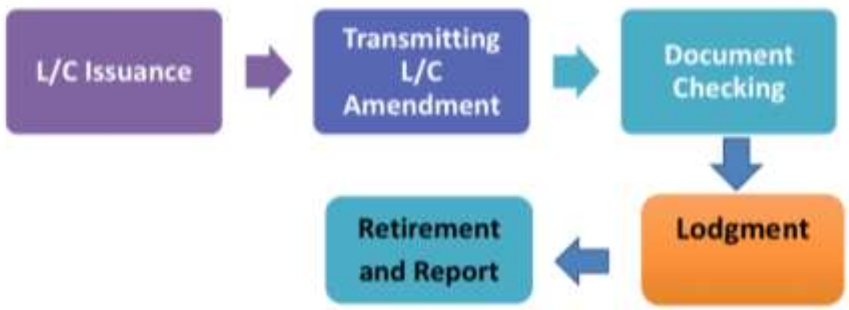
4.14 IMPORT

Foreign products and services are imported into Bangladesh by businesses, consumers, and the government. To import goods from another nation, an importer needs to get an import registration certificate (IRC), which is issued by the chief import and export controller.

General Conditions of Import of Goods:

Import Trade Control Schedule No It must be obligatory to use an ITC Number (H.S. Code) with at least six digits for import purposes that corresponds to the Harmonized Commodity Description and Coding System's 1988 Import Trade Control Schedule's classification of commodities.

4.15 Import business of FSIBL



Import Procedure:

International suppliers sign a purchase agreement with the importer. A pro-forma invoice and an indent are given to the importers if the suppliers have a local representation. The importers must have a valid import registration certificate (IRC) if the vendors do not have local representatives in Bangladesh.

Creating a proposal and sending it to the appropriate authority to get approval for an opening letter of credit:

The applicant must obtain authorization from the appropriate authority prior to creating a letter of credit. The amount of the Letter of Credit and the margin percentage determine whether the authority must be obtained from the Branch or the Head Office. In general, a proposal for requesting authorization to open a Letter of Credit includes the following items:

- The importer's name and address;
- The guarantor's name and address, if any;
- Specifics of the goods to be imported, including the Harmonised System (H.S.) Code, the item's name, quantity, unit price, and the import's purpose;
- LC terms and conditions, such as the beneficiary's name and address, the terms of payment, the loading and unloading port, the validity and expiration date of the shipment, etc.;
- The cost of the goods upon arrival;
- The number of CD accounts and the transactions conducted through them;

4.16 Steps for Import L/C operation:

Step 1: Signing up with CCI & E;

- Before engaging in international trade, each trader must first register with the chief import and export controller.
- The trader will pay the CCI & E. the necessary registration fees, and they will receive an IRC/ERC to register an L/C with the bank.

Steps 2- Determination terms of credit;

The terms of the letter of credit will be determined by the importer-exporter contract. The credit's terms include the credit amount, the name and address of the beneficiary and the opener, the type of credit, the expiration date, the quantity and name of shipping document sets, the tenor of the bill of exchange, the duration and method of the shipment, the destination, and more.

Steps 3- Proposal or L/C opening;

An importer must apply to the department of United Commercial Bank Ltd. for an import LC limit. The following information is included in the proposal:

- All of the bank account details
- Type of business
- Minimum amount required

- Terms and conditions of payment
- Imported goods
- Provided security
- Repayment schedule

Step 4- Application to open a letter of credit sent by the importer to the banker;

The importer must complete a specific application form that the banker provides and submit the necessary paperwork in order to start an LC:

1. L/C application form	**7. authority to debit account**
2. Filled up LC form	8. filled up amendment request form
3. Demand promissory note	9. IMP form
4. Pro-forma invoice	10. insurance cover note and money receipt
5. Tax identification number	11. membership certificate
6. Import registration certificate	12. rate fluctuation undertaking

Step 5- The bank opens the L/C for the opener; the importer fills out an application;

• Gathers the exporter's credit report from his foreign correspondence in that nation.

•After issuing credit via air mail, TELEX, or SWIFT, the opening bank provides L/C advice at the beneficiary's location upon request from his overseas correspondent or branch, as applicable.

Step 6- Exporters shipment of the items and filing of the necessary paperwork;

- Exporters then sends the goods to the importer nation's destination.
- Uses his negotiating bank to forward the paperwork to the L/C opening bank.

Step 7- Documents submission from the negotiation bank to the opening bank;

The opening banker examines the document after receiving it. If any inconsistencies are found, let the importer know. In order to retire the paperwork, opening bankers will get in touch with the importer if they accept the inaccuracy. There could be a lot of different things happening now. The following list indicates these:

• There is no issue with the lodgement; the importer acknowledges the disparity.

• When a discrepancy is discovered but the importer refuses to accept it, the importer protests and sends the exporter all of the relevant documentation in order to ask him to make the necessary adjustments.

• In this case, the bank must pay for the exported goods even while the importer is willing to retire them with the proper documentation. In the banking business, this payment by the bank is known as PAD and is regarded as a sort of credit to the importer because the importer failed to pay the bill of exchange.

• The importer can't get the goods out of the port, but everything else is fine. In this case, the bank pays the relevant sales tax and customs duty, among other expenses, before clearing the goods and accepting delivery.

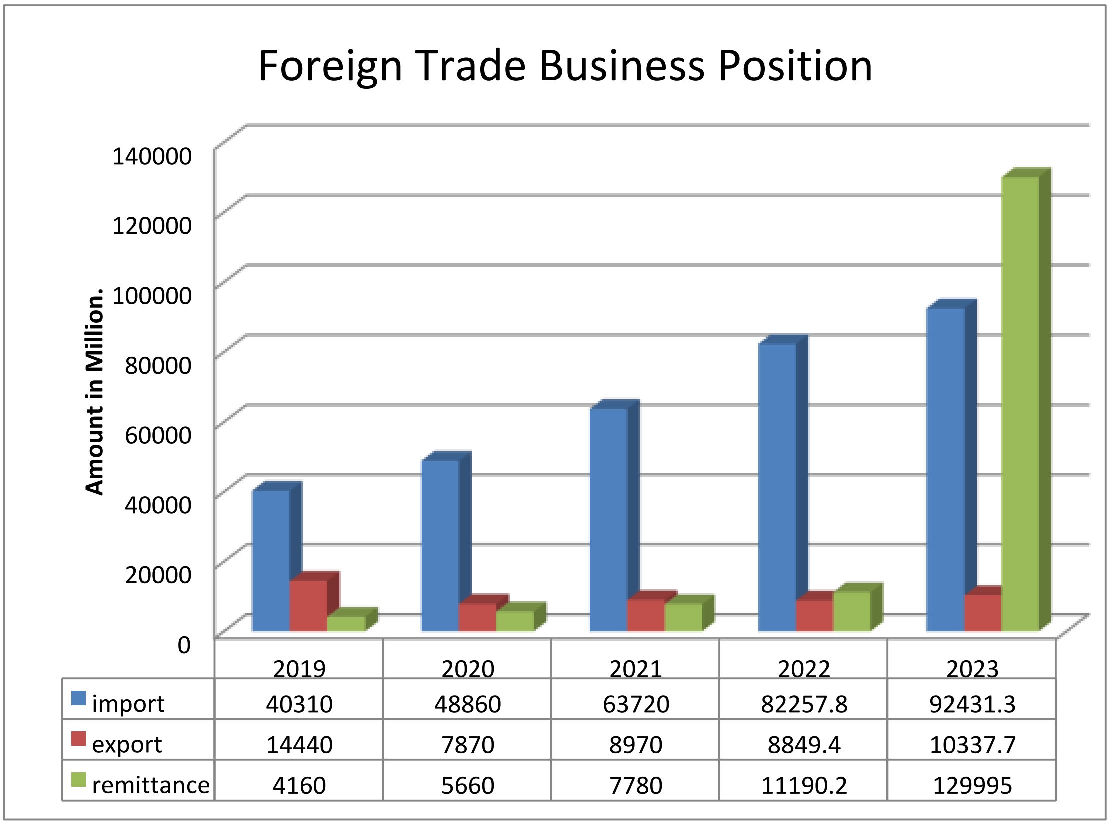
Step 8- Retirement:

The importer makes the required payment after they receive the cost note or lodging voucher. The "Retirement of Import Bills" phase of the documentary credit process is referred to as such. The branch will create the retirement voucher so that it reflects the cost, other fees that must be paid by the importer, changes to the margin, and changes to the PAD Account. The following are the certificates made by bank employees with authorization:

• The bank's authorized official certifies the invoice, using the currency rate in effect at the time of deposit.

• the bill of exchange that the recipient's negotiating bank gives to the issuing bank.

• The AD branch must endorse the Transport Documents attesting to the carriage of goods in accordance with the terms of the Letter of Credit.



	2019	2020	2021	2022	2023
import	40310	48860	63720	82257.8	92431.3
export	14440	7870	8970	8849.4	10337.7
remittance	4160	5660	7780	11190.2	129995

Table 3: Foreign Exchange Business Growth of FSIBL (2019-2023)

Thus, this graphical representation indicates that the banks' development accelerated annually. The quantity has increased in all sectors, including import, export, and remittances. For example, in 2019, imports totalled 40310 million, representing a 21% increase. If we look at 2023, the foreign exchange business's growth and worth have surpassed that of the previous year.

The following list contains the documents required to open an import L/C:

- The opener's properly signed and sealed L/C application.
- A minimum of four proforma invoice/indent documents that have been properly signed and sealed by the beneficiary and the opener.
- The opener's properly signed and sealed party application form.
- LCA/IMP forms that the opener has properly signed and sealed.
- A report on beneficial credit
- A cover note for insurance that includes a money receipt.

- **4.18 Foreign Remittance**

This bank has a license to conduct currency exchange activity. As an authorized dealer, a bank is required to offer its customers certain foreign exchange services, which this department does. This department's primary duties include sending and receiving foreign currency from one nation to another.

Analysis of this Department:

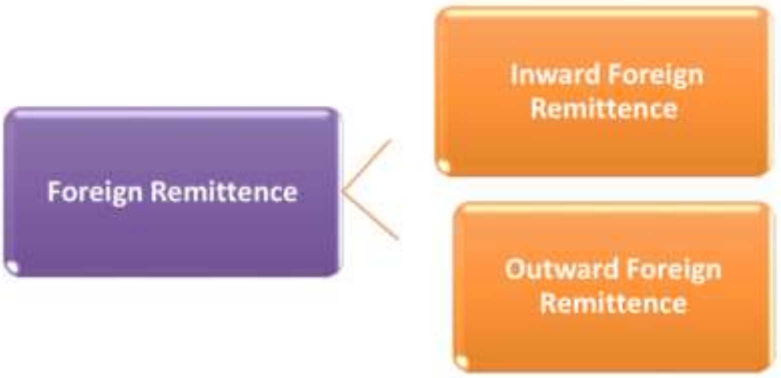
Types of Account	No. Of Accounts	Amounts (In Taka.)
1.1.1.1.1.1 FCD-Foreign Currency Deposit	217	7968816.00
NFCD	7	2998707.05
RFCD	12	1554297.75
Export Cash Credit – ECC	3	23010432.43

Table: 3-1

4.18.1 Foreign Process Remittance:

The process of remitting funds from one country to another is known as the fund transfer procedure. Let's say a regional bank has 200 domestic locations. The bankj maintains a "Nostro Account" with the bank in US dollars and has a similar arrangement with a foreign bank, let's say "X". Bangladeshi expats use that account to remit money to their local recipient from abroad. Now, when Bangladeshi expats transfer money to their "Nostro Account" with "X" through banks in other nations, the remittance division records the advise and creates an advisory letter for the appropriate branch of the bank after receiving a telex message from the local bank's head office. The beneficiary's name, account number, and signature will be confirmed by the branch after decoding the test. Once all requirements have been met, the branch will transfer the monies to the beneficiary's account and notify them of the transaction.

There are two types of external transfers, including internal foreign transfers and external foreign transfers.



Inward Remittance

Inward remittance refers to money sent to our country from other countries. Inward remittance is defined as the acquisition of foreign currency by approved dealers by bankers or ADs. In general, drafts, postal transfers, TTs, purchases of foreign bills and travelers' cheques, and export bills are used to receive inward remittances. These are the official channels for receiving inward remittances.

Outward Remittance

Outward foreign remittance refers to money sent from our country to another one. Outward remittance, on the other hand, refers to the selling of foreign money via an authorized dealer or through established channels. Authorised dealers are required to be extremely careful to make sure that foreign funds they release or transfer are only used for the intended objectives.

The following uses for outward remittances are possible:

- Travel.
- Medical care
- For educational purposes
- The F.C. account's balance
- Foreign corporations' profits
- Technical support
- Up to USD 6,000 for new exporters to promote their businesses.

Chapter 05

Findings, Recommendations & Conclusions

5.1 Findings from Foreign Exchange Operations Analysis:

- The FSIBL Foreign exchange has acquired a robust reputation among the state's banking sector.

- The foreign bank finds them to be quite helpful in terms of opening and amending L/Cs because they are very effective. It provides an edge over competitors in the market.

- The export business has expanded annually for the last ten years. Consequently, an increase in export earnings occurred in 2021–2023.

- The FSIBL foreign exchange operation mostly relies on imports for revenue. 82% of all foreign money earned last year came from imports, which grew at a rate of 39%.

- The remittance business has experienced a different landscape compared to import and export, with notable fluctuations over the past five years.

- Due to Corona Pandemic, Russia Ukraine War, there has been a lot of ups and downs in the Foreign Exchange business of FSIBL, in 2021, 2022, 2023.

5.2 Recommendations of FSIBL:

- These days, FSIBL is a major part of Bangladesh's economy. To acquire the finest outcome for their service, the bank must, however, work on it in specific circumstances. To make more money, it must, in part, take some actions in the import and export industries.

- FSIBL have to Set clear and measurable internal risk limits for foreign exchange exposure.

- Even though FSIBL is well-equipped and has many bright staff members, the foreign trade department needs more staff members to support its current officers and help boost import and export growth.

- Every client has a unique L/C margin and commission. Opening L/Cs with no margin and no fees or commissions is only allowed for a limited number of clients. In my view, the bank ought to look at the trends in customer transactions over time and establish a particular policy in this regard.

- **5.3 Conclusion:**

In international trade, all departments are vital tools. They provide both the banker and the customer with reassurance in situations where conditions are unclear or there has been little to no previous trading between the parties. I was a student who studied the corporate world through literature and analysis before writing my thesis.The distinctions between bookish and analytical knowledge were also presented to me during this training.

The purpose of this paper is to list First Security Islami Bank PLC main advantages and disadvantages as a competitive player in Bangladesh's banking industry.. In this sector, there is fierce competition, which is why A number of things need to be improved by First Security Islami Bank Limited, including product diversification, market forecasts, proactive initiatives, and recommendations for resolving current issues.

5.4 Reference:

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