



Daffodil *International* **University**

Internship Report

On

“Analysis of Foreign Exchange Operations of Al-Arafah Islami Bank Limited (AIBL)” (A study on Elephant road Branch)

Supervised By

Professor Dr. Mostafa Kamal

Daffodil International University

Prepared By

Lubaba Afrin

Id No: 181-14-2628(Finance)

Master of Business Administration(MBA)



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Submission and Approval letter

April 15,2019
Professor Dr. Mostafa Kamal
Department of Business Administration
Daffodil International University.

Respected teacher

It is declaration my internship report was finished some days ago on the basis of activites of import, export and remittance of AIBL. I . I have completed my attachment period in AIBL. This report made and finished arranged information on the basis of several activities.

I will give this clarify that it was made without any kind of copies informations.

Your sincerely

.....

Lubaba Afrin
MBA
ID: 181-14-2628
Daffodil International University



Announcement:

In my announcement I notified that this is finished on the basis of information and it is also added, this report ended by myself. This is confirmation I said this report over by me.

Yours kindly

.....
MBA
ID: 181-14-2628
Daffodil International University



Concession

To beginning with ,this exchange activities is made various others scope and also positive and assist of internship supervisor as well as many persons in bank. I am indebted to the senior officer of AIBL bank .

It is great opportunity to prepare this report was very helpful for my life experience for many kind of doing workplace in any organization. So it is the great opportunity because in the time of preparing this I achieve much more knowledge .

.....
Lubaba Afrin
MBA program
ID: 181-14-2628
Daffodil International University.



Executive Summary

In recent world it is the great bank because this bank doing their task so carefully. AIBL bank concludes all types of commercial banking activities. In this report included many more various kind of important things which help in my life because it is modern working process that's why lots of subject can achieved.



In import, export and remittance process, meanings, L/C opening, form of imp all times of item included this. So it is so helpful.

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CHAPTER 01

BIGINING PERIOD



1.1 Significance of foreign exchange

Bangladesh is a third world country as there is an unemployed problem. Lots of educated graduate and post graduate face unemployment because of limited skills and experience. Knowledge are becoming best if it is engaged with writing theme. In this report is an significant requirement for post graduation program by which pupils can published contract and interaction with recent time. It can be aid learners to practice and make themselves for the their carrier path , through live experience they can be capable to gain normal idea to build up carrier, which is necessary to getting a good carrier. Therefore, obvious that the importance of internship is seen perfectly evaluated as the ideal requirement for post graduation program.

1.4: Objective of the Report:

- Money exchange propose of bank
- To evaluate financing task
- To identify importance on other channel
- To find the way of incising foreign remittance of Bangladesh



1.8 Wellspring of information compilation:

- Form Officer
- From Annual Report
- From Official book
- From counseling with customer

1.9 Organization Material:

1. Cover Page & Title Page
2. Letter of Transmittal
3. Student Declaration
4. Certificate of Supervisor
5. Acknowledgement
6. Chapters
7. Appendix &
8. References

1.10 Limitations of the Study:

This report is not free from limitations and likely to have following limitations:

- ⊘ Annual reports, policy guidelines and other related documents do not over full and sufficient information as well website is not updated.
- ⊘ Confidentiality of data was another important barrier that was faced during the collecting data for this study. AIBL Bank was not interested to disclose some certain information required for this report.



- ⊘ The official of the organization remain extremely busy throughout the days. So in spite of their keen interest they didn't have enough time to supervise and guide me.
- ⊘ There was lack of experience in collecting information, doing analysis and taking assessment of the related topics.
- ⊘ Due to the safety and security reasons, access to all the confidential data was not obtained.
- ⊘ Too much of bulk data in the Internet, which made work more difficult.
- ⊘ Lack of self-knowledge concerning report preparation, was also a limiting factor in preparing a better report.
- ⊘ Another problem is time constraint, within such a short time period, it was not possible for me to observing and analyzing the operations of AIBL Bank.



CHAPTER 2

ORGANIGATIONAL OVERVIEW



2.1 Islami Banking Practice

Islami Banking System is becoming more and more attractive day to day to people irrespective of nations, religious, race, and species. More than 300 banks & financial institutions are serving Islamic banking throughout the world. At present, in our country 7 full pledged Islamic banks are working successfully. And other traditional banks Islamic banking wings conducting shariah based banking activities. Recent development of Bangladesh Government Islamic Investment Bond (BGIIB) is a milestone of shariah based banking practice in Bangladesh (AIBL Annual Report).

2.2 Genesis of Islamic Banking in Bangladesh

Bangladesh is the third largest Muslim country in the world with around 135 million populations of which 90 percent are Muslim. The hope and aspiration of people to run banking system on the basis of Islamic principle came into reality after the OIC recommendation at its foreign minister meeting in 1978 at Senegal to develop a separate banking system of their own. After 5 years of that declaration, Islamic banking as a new paradigm started in Bangladesh in 1983 with the establishment of the first Islamic bank “Islami Bank Bangladesh Limited”. At present, 8 full pledged Islamic banks are working in the private sector on the basis of Islamic shariah. In the past two and a half decades, it has shown its great robustness in achieving the goal of Islamic shariah. Observing the success, many conventional banks have been allured to open their own Islamic branches with the traditional ones.



2.3 Profile and Historical Background of AIBL Bank

Export Import Bank of Bangladesh Limited was established in the year 1999 under the leadership of Late Mr. Shahjahan Kabir, Founder Chairman who had a long dream of floating a commercial bank which would contribute to the socio-economic development of our country. He had a long experience as a good banker. A group of highly qualified and successful entrepreneurs joined their hands with the founder chairman to materialize his dream. Indeed, all of them proved themselves in their respective business as most successful star with their endeavor, intelligence, hard working and talent entrepreneurship. Among them, Mr. Nazrul Islam Mazumder who is an illuminated business tycoon in the Garments business in Bangladesh became the Honorable Chairman after the demise of the honorable founder chairman. The Bank starts functioning from 3rd August, 1999 with its name as Bengal Export Import Bank Limited. On 16th November 1999, it was renamed as Export Import Bank of Bangladesh Limited with Mr. Alamgir Kabir as the Founder Advisor and Mr. Mohammad Lakiotullah as the Founder Managing Director respectively. Both of them have long experience in the financial sector of our country. By their pragmatic decision and management directives in the operational activities, this bank has earned a secured and distinctive position in the banking industry in terms of performance, growth, and excellent management. Under the leadership of Mr. Lakiotullah, the Bank has migrated all of its conventional banking operation into Shariah Based Islami Banking in the year July 2004.



2.4 AIBL at a Glance

Islam provides us a complete lifestyle. Main objective of Islamic lifestyle is to be successful both in our mortal and immortal life. Therefore in every aspect of our life we should follow the doctrine of Al-Qur'an and lifestyle of Hazrat Muhammad (Sm.) for our supreme success. Al-Arafah Islami Bank started its journey in 1995 with the said principles in mind and to introduce a modern banking system based on Al-Quran and Sunnah. A group of established, dedicated and pious personalities of Bangladesh are the architects and directors of the Bank. Among them a noted Islamic scholar, economist, writer and ex-bureaucrat of Bangladesh government Mr. A.Z.M Shamsul Alam is the founder chairman of the bank. His progressive leadership and continuous inspiration provided a boost for the bank in getting a foothold in the financial market of Bangladesh. A group of 20 dedicated and noted Islamic personalities of Bangladesh are the member of Board of Directors of the bank. They are also noted for their business acumen. Al-Arafah Islami Bank Ltd. has 140 branches (Upto December 2018) and a total of 2978 employees (upto September 2018). Its authorized capital is Taka 15000 million and the paid-up capital is Taka 9469.58 million as on 31 December 2015. Wisdom of the directors, Islamic bankers and the wish of Almighty Allah make Al-Arafah Islami Bank Ltd. most modern and a leading bank in Bangladesh.



2.5 Corporate Information of AIBL

Name of Bank	Al-Arafah Islami Bank Limited(AIBL)
Date of Registration	18th June 1995
First Branch	Motijheel Branch, Dhaka
Opening Ceremony	27th September 1995
Authorized Capital	Taka 15000 Million
Paid –Up Capital	Taka 9943.06 Million
Number of Branches	143
Deposit	Taka 1,99,703.92 Million
Investment	Taka 1,96,519.38 Million
No of Employees	3070 Employees
Number of Shareholders	36695
Status	Private Limited Company

2.6 Vision and Mission of AIBL

Auditors	
KHAN WHABH SHAFIQUE RAHMAN & CO. Chartered Accountants Rupali Bima Bhaban (5th floor) 7, Rajuk Avenue, Motijheel, Dhaka-1000	HODA VASI CHOWDHURY & CO. Chartered Accountants BTMC Bhaban (8th floor) 7-9 Karwan Bazar



2.6.2 Mission

The Bank's mission gives emphasize to: Achieving the satisfaction of Almighty Allah both here & hereafter.

- Proliferation of Shariah Based Banking Practices.
- Quality financial services adopting the latest technology.
- Fast and efficient customer service.
- Maintaining high standard of business ethics.
- Balanced growth.
- Steady & competitive return on shareholder's equity.
- Innovative banking at a competitive price.
- Attract and retain quality human resources.
- Extending competitive compensation packages to the employees.
- Firm commitment to the growth of national economy.
- Involving more in Micro and SME financing.

2.7.1 Special feature of the bank:

- All activities of the bank are conducted according to Islamic Shariah where profit is the legal alternative to interest.
- The Bank's investment policy follows different modes approved by Islamic Shariah based on Quran & Sunnah.
- The Bank is committed towards establishing welfare oriented banking system, create employment opportunities.



- According to the needs and demands of the society and the country as a whole the Bank invests money to different Halal business. The bank participates in different activities aiming at creating jobs, implementing development projects taken by the Government and developing infrastructure.
- The Bank is committed to establish an economic system through social justice and equal distribution of wealth.
- The Bank is contributing to economic and philanthropic activities side by side. Al Arafah English Medium Madrasha and AIBL Library are among mention worthy.

(Source-Annual Report-2017)

2.7.2 Objective of AIBL

- To establish an interest free economy.
- To establish an modern banking system for all kinds of people.
- To take part in the economic growth of the country.

2.7 Branches of AIBL:

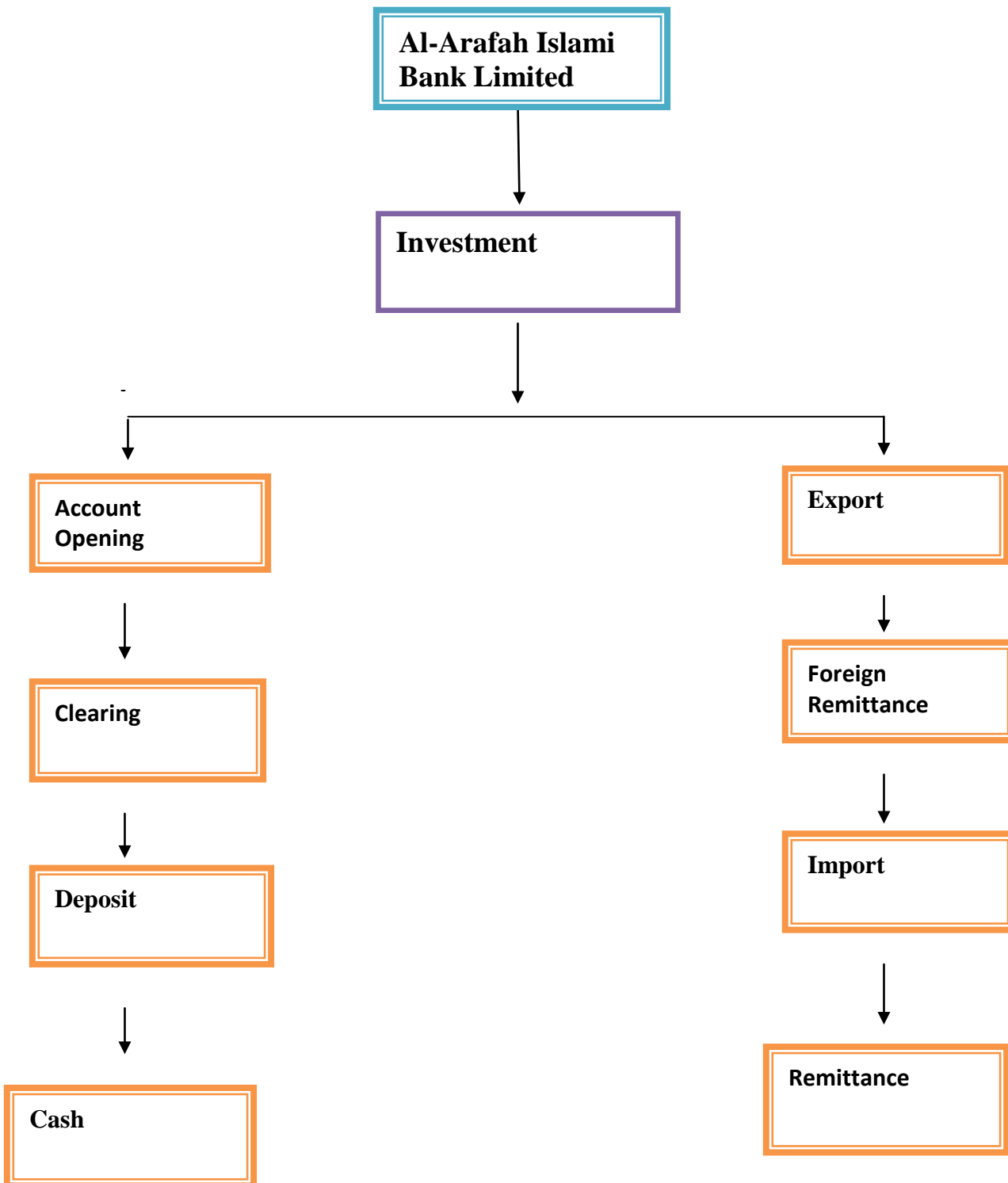
AIBL started its working at 161; Motijheel C/A with a Branch named Motijheel Branch on 27th September, 1995 was the first & main branch of AIBL and has been operating throughout the country. The Head Office of the Bank was situated at the same holding of Motijheel Branch since its establishment but from 11 January, 2007 it has started its working at its own premises 36, Dilkusha (6th, 7th, 8th & 9th floor), Dhaka-1000. The age of the bank is only 23 years and during this short period of time, the bank has established total 143 branches over the country and made a smooth network inside the country. The number of Branches as Division wise is mentioned in the following table:



Division	Number of Branches
Dhaka	66
Chittagong	35
Rajshahi	08
Khulna	12
Sylhet	07
Barisal	08
Rangpur	05
Mymensingh	02
Total	143

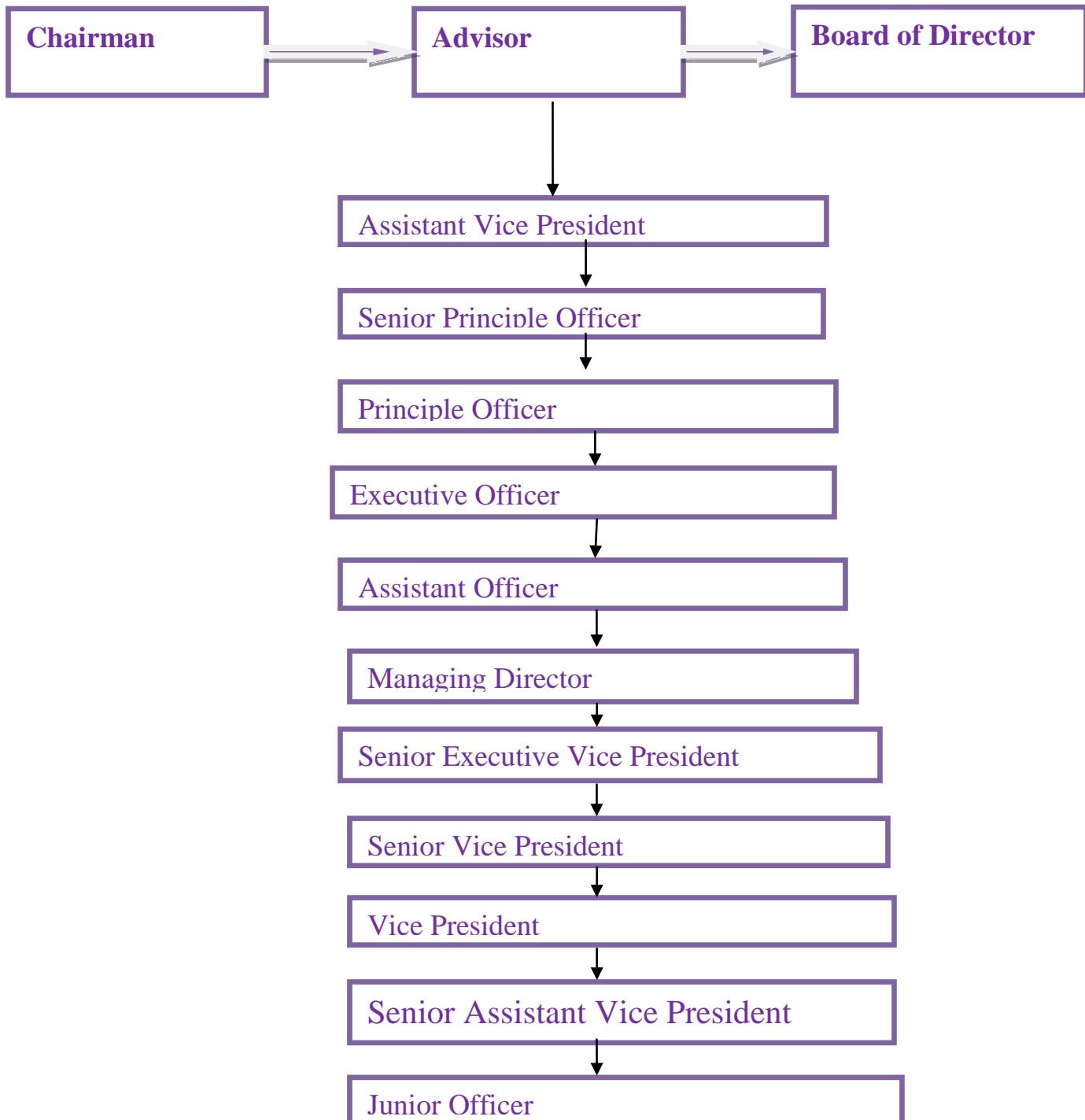


2.9 The Department of AIBL Bank Ltd at Elephant Road Branch



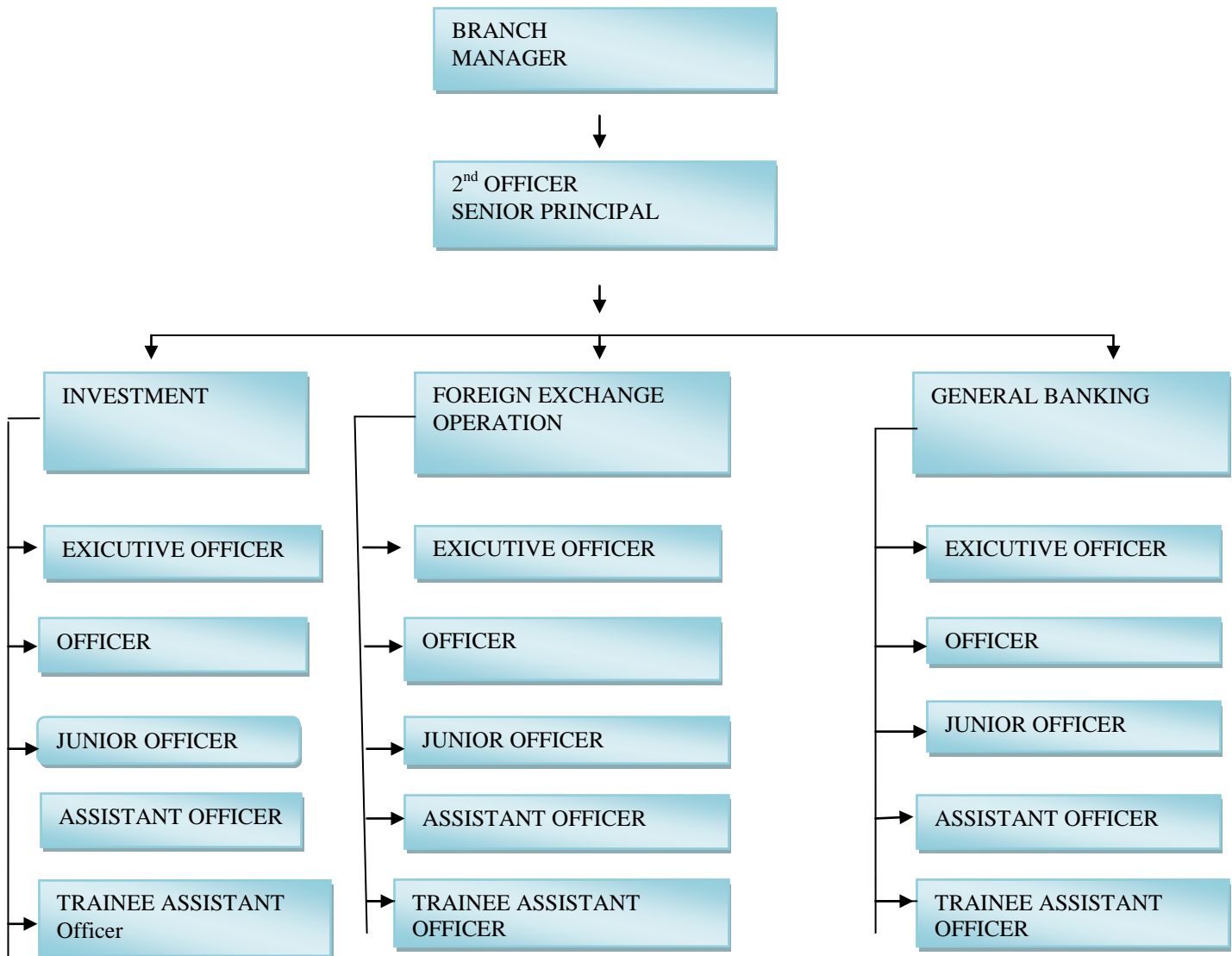


2.10 Hierarchy Position in AIBL





2.11 Organ gram of Al-Arafah Islami Bank Ltd at Elephant Road Branch





2.12 Form of Organization:

- ▶ Board of Directors
- ▶ Executive Committee
- ▶ Audit Committee
- ▶ Management Committee
- ▶ Shariah council

2.13 Environment of Al- Arafah Islami Bank:

Al-Arafah Islami Bank shall bear the mark of the Sunnah of our prophet Muhammad (S), of our faith and conviction, our values and attitudes towards life and that the entire environment of Al-Arafah Islami Bank shall be in conformity with Sunnah, simple in style, noble and rich in thought, but dynamic and far reaching in impact, exemplary in efficiency and service to the customer.

2.14 Corporate Social Responsibility Al-Arafah Islami Bank Foundation:

The bank has foundation launching philanthropic activities. Al-Arafah Islamic International School & College and Al-Arafah Islami bank library are major two wings for launching philanthropic activities.

Al-Arafah Islamic International School & College:

Al-Arafah Islamic School & College has been established by the Al-Arafah Bank Foundation with a view to building next generation according to the ideals of peace and equality of Islam and to establishing to banking and other aspects of life in the way of Islam. The prime aim of this Islamic International School & College is to contribute towards building human resources and in the broader sense to ensure human welfare. With the view Al-Arafah Islami Bank Foundation has established Al-Arafah Islamic School & College at Mirpur Circle-10 in 1998. Such institution up to O level of its kind is for the first time in Bangladesh.



Al-Arafah Islami Bank Library:

Library is the carrier & reservoir of knowledge. Al-Arafah Islami Bank has shown that other than generating profit, it can also contribute significantly in the field of providing good source of knowledge by establishing a public library at 32, Topkhana road, Chittagong Bhaban (1st floor), Dhaka, thus strengthening social development. It is situated in sound, healthy, surroundings. It harbors 23,000 books of reference for the researchers, students, professionals, bankers, physicians, engineers, politicians, writers or journalists, even for the kids. It is opened for all from the year 2000 and well located & accessible to everybody. It procured some exceptional collection of books on religion, economics, banking, computer science, business administration, sociology, English & Arabic language and juvenile literature in Bangla, English, Urdu & Arabic, which are very rare.



CHAPTER 3

TOPIC ANALYSIS

***(Import and Export & Remittance Financial
Procedures)***



3.1 Foreign Exchange

Every country has particular natural advantages and disadvantages in producing particular commodities while they have some natural disadvantages as well in other areas. As a result we find that some countries need to import certain goods while others need to export their surpluses. These transactions are called international trade. As more than one currency is related in foreign trade, it gives rise to exchange of currencies which is known as Foreign Exchange services.

As per Foreign Exchange Act., foreign exchange means and includes all credits, deposits, and balances payable in foreign currency as well as foreign currency documents such as drafts, TCs, Bill of Exchange, Promissory Notes and Letters of Credit payable in any foreign currency. This definition implies that all business activities relating to Export, Import, Outward & Inward Remittances, buying & selling of foreign commissions, etc. come under the preview of foreign exchange business.



Foreign exchange can simply be defined as a process of transformation of one national currency into another and of transferring money from one country into another.

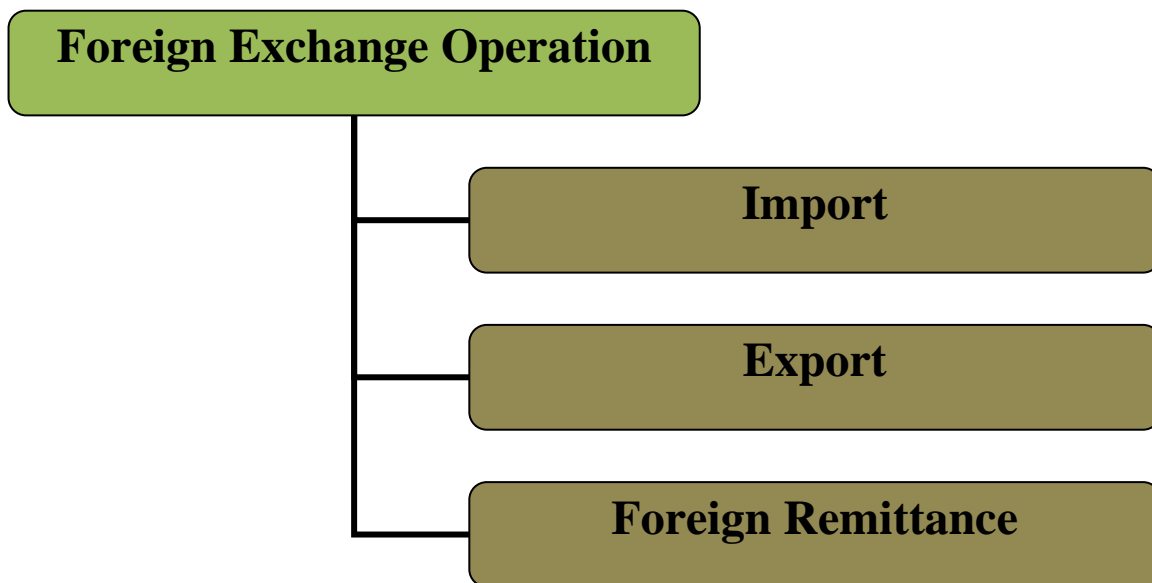


Figure 5.1: Foreign Exchange Operation

(Source: Bangladesh Bank
Import-export section)



3.1.1 Foreign Exchange Division

Commercial bank's large portion of their earning comes from foreign trading. The trade between various countries falls for close link between the parties dealing in trade. The situation calls for expertise in the field of foreign trade. The bank, which provides such operation, is referred to as rendering international banking operation. Mainly transactions with overseas countries are respects of export; import and foreign remittance come under the preview of foreign exchange transactions. International trade demands a current of goods from buyer to seller and of payment from seller to buyer. In this case the bank plays an important role to bridge between the buyer and seller.

In the Al- Arafah Bank Ltd. are working continuously with great effort and teamwork there are quite efficient skill and talented the above jobs are performed in this department. In elephant road branch have 4 officials work in the import and the export section. The Bangladesh Bank and the respected AVP of this section control them. There are more than 95 clients and 30 countries they are dealing with. They believe in teamwork and extreme hard work.

Foreign Exchange Department is an international department of the bank. It deals with globally and simplifies international trade through its various modes of services. It bridges between importers and exporters. These banks are known as Authorized Dealers. Bangladesh Bank issues license to deal with foreign exchange. If the branch is authorized dealer in foreign exchange market, it can remit foreign exchange from local currency to foreign currency. This department mainly deals with foreign currency. This is why this department is called foreign exchange department.

3.1.2 Foreign Trade

Business activity, which crosses the national border called foreign trade. These may be between parties or government ones. Trade among nations is a common event and normally benefits both the importers and exporters.

Foreign trade can usually be justified on the principle of relative advantage. According to this economic principle, it is economically profitable for the country to specialize in the production of those goods in which the producer country has the grater comparative advantage and to allow the other country to produce those goods in which it has the lower comparative advantage. It includes the spectrum of goods, investment, services, technology etc. This trade among various countries calls for linkage between the parties dealing in trade it has been dealing with more than 45 Countries. Bank which provide such transactions, are referred to as translation international banking operations. International trade demands a flow of goods from buyer to seller and of payment from seller to buyer. This flow of goods and payment are done through Letter of Credit. Al-Arafah Islami Bank Ltd. follows the rules of Bangladesh government and Bangladesh bank correctly.



3.1.3 Functions of Foreign Exchange Department of Bank

Import

- ⊗ **Opening of letter of credit**
- ⊗ **Advanced Bill**
- ⊗ **Bills for collection**
- ⊗ **Import loans and guarantees**

Export

- ⊗ **Pre-shipment advice**
- ⊗ **Purchase of foreign bills**
- ⊗ **Negotiating of foreign bills**
- ⊗ **Export guarantees**
- ⊗ **Advanced for deferred amount payment**
- ⊗ **Confirming letter-letter of credit**
- ⊗ **Advanced against bill of collection**

Remittances

- ⊗ **Issue of DD, TT, MT etc.**
- ⊗ **Payment of DD, TT, MT etc.**
- ⊗ **Issue and enhancement of travelers cheque**
- ⊗ **Issue and enhancement foreign currency note**
- ⊗ **Nonresident account**



3.2 Import Section

Imports of goods into Bangladesh is regulated by the ministry of industry and commerce in terms of the Export and Import Act, 1950, with import policy orders issued by yearly, and Public Notices and Import Registration Certificate (IRC) issued from time to time by the office of the Chief Controller of Export and import (CCE & I). Through the process of import some necessary but which are insufficient in our country products are imported to meet the local needs of the people. Al-Arafah Islami bank limited also plays an important role of importing goods.

To get Import Registration Certificate (IRC) the following certificates are required for doing import activities with Al-Arafah Islami bank limited:

- ∅ **Trade License**
- ∅ **National certificate**
- ∅ **Income tax clearance certificate**
- ∅ **Asset certificate**
- ∅ **Banks solvency certificate**
- ∅ **Memorandum and article of association**
- ∅ **Certificate of incorporation (if any)**
- ∅ **Registration partnership deed (if any)**
- ∅ **Rent of the business premises**



3.2.1 Requirements for Import

To import through Al-Arafah Islami Bank Limited a customer or client requires-

- ∅ **Bank account**
- ∅ **Taxpaying Identification Number**
- ∅ **Import Registration Certificate**
- ∅ **Membership Certificate**
- ∅ **Letter of credit from duly attested**
- ∅ **Insurance cover note with money receipt**
- ∅ **Pro-forma invoice**
- ∅ **Other**

3.2.2 Import Mechanism

To import, a person should be suitable to be an importer'. According to Import and Export (Control) Act, 1950, the officer of Chief Controller of Export and Import provides the Import registration Certificates (IRC) to the importer. After obtaining this, the person has to assured a letter of credit authorization (LCA) from Bangladesh Bank. Then a person becomes a qualified importer. He requests or instructs the opening bank to open a Letter of Credit.



3.2.3 Source of Finance

Import may be agreed under the following sources of finance:

- ∅ **Commodity exchange.**
- ∅ **Cash-**
 - **Cash foreign exchange (balance of the foreign exchange reserve of Bangladesh Bank)**
 - **Foreign currency accounts maintained by Bangladeshi Nationals working in abroad.**
- ∅ **External economic aid.**

3.2.4 Import Procedures

An importer is necessary to have the following to import through Al-Arafah Islami Bank Limited

- ∅ Applicant has to apply for opening letter of credit by a formal form.
- ∅ Applicant has to submit the Letter of Pro-forma Invoice or letter of indent. **Letter of Indent:** Many sellers have their agent in seller's country. If the contract of buying is made between the agent of the sellers and the buyer then Letter of indent is required. **Letter of Pro-forma Invoice:** If the contract is made directly between the sellers and the buyer then Letter of Pro-forma Invoice is needed.
- ∅ Applicant has to submit Letter of Credit Authorization Form (LCAF).
- ∅ Applicant has to submit insurance document.
- ∅ Applicant has to prepare FORM-IMP.
- ∅ Applicant has to submit Indenters Registration Certificate (IRC). This certificate being renewed every year. This certificate is necessary if the contract is made between the agents of the sellers and the buyer.
- ∅ Then after accurate scrutiny bank will open a Letter of Credit.
- ∅ They have been made a provision to give a certificate named Tax Payers Identification Number (TIN). Taxation department issues this certificate.

While opening letter of credit, importer must keep certain percentage of the document value in the bank as margin.



3.2.5 Procedures of Opening Letter of Credit to Import

To open an L/C, the requirements of an importer are:

- ⊘ **Client must have an account in AIBL**
- ⊘ **Client must have Importers Registration Certificate (IRC).**
- ⊘ **Credit Information Bureau (CIB) report from Bangladesh Bank.**
- ⊘ **Report on previous performance with other bank. AIBL collects this report from Bangladesh Bank.**
- ⊘ **A proposal selected by the meeting of executive committee of the bank. It is necessary only when the letter of credit amount is small or there is no limit.**
- ⊘ **If the amount of letter of credit is large or there is a limit, then an approval from Bangladesh Bank is needed.**
- ⊘

3.2.6 Import Policy

At the beginning of each financial year, the Chief Controller of Exports and Imports announces the Import policy covering different aspects of imports in the upcoming year. The main points covered by the Import Policy are the following:

- ⊘ **Items importable against – Cash foreign Exchange, Foreign aid and barter, Wages Earners Scheme.**
- ⊘ **The Procedure for induction of new comers into the import trade.**
- ⊘ **The procedure for submission of application for Repeat License.**
- ⊘ **Items eligible for imports during the shipping period.**
- ⊘ **The procedure for imports by industrial importers and commercial importers and for import under Wages Earners scheme.**
- ⊘ **Procedure for formation of groups.**
- ⊘ **The dates for opening Letter of Credit, and shipment and the rules for revalidation of the License or Letter of Credit Authorization (LCA).**



3.2.7 Loan against Trust Receipts (LTR)

AIBL also perform the later mechanize. It is an instrument of foreign exchange which is done through

- ∅ **Advance against a Trust Receipt acquired from the Customers are allowed to only first class tested parties when the documents covering an import shipment or other goods promised to the Bank as security are given without payment.**
- ∅ **The Trust Receipt is a document that creates the Banker's lien on the goods and effectively amounts to hypothecation of the income of sale in discharge of the lien.**
- ∅ **The customer maintains the goods or their sale-revenue in trust for the Bank, till such time, the loan agreed against the Trust Receipts is fully paid off.**

3.2.8 Loan against Imported Merchandise (LIM):

AIBL make Advance Loan against the security of merchandise imported by the bank may be allowed either on commitment of goods, retain margin prescribed on their Landed Cost, depending on their categories and Credit Restriction imposed by the Bangladesh Bank. Bank shall also obtain a letter of indemnity and undertaking from the parties, before getting the goods cleared through loan against Import Merchandise Account.

3.2.9 Lodgment of Import Documents

Import documents establish in order to be made entry in the bill register and essential voucher to be passed, putting Bill number on the documents; this process is called Lodgment of the bill. The word 'Lodgment' called temporary stay. Since the documents, stay at this stage for a temporary period i.e. up to retirement of the documents, the process is called Lodgment, Bank must lodge the documents immediate after bill of the same, not exceeding 7 banking days, following the day of bill of the documents.



3.2.10 Procedures of Lodgment

- ∅ **Application of rate:** Foreign Currency would be converted at current selling rate maintaining on the date of Lodgment.
- ∅ **Bill register:** Bank wills entry the documents in the bill register. Bill register must include Bill No, date of Lodgment, Amount, Bill of Exchange No, Name of the Negotiation Bank, Bill of lading No & date, retirement date merchandise, & other particulars.
- ∅ **Endorsement of Letter of Credit Authorization Form (LCAF):** LCFA form must be approving showing utilization of shipment.
- ∅ **Exchange Control Form:** IMP & Tm form must be filed in and signed by the importer at the time of Lodgment.
- ∅ **Noting on the File:** Fulfill amount showing bill number to be noted on the printed format of letter of credit file.

3.2.11 Retirement of the Documents

The procedure of collecting documents from bank by the importer is called retirement of the documents. The importer gives essential order to the bank for retirement of the import bills or for the settlement of the shipping documents to clear the imported goods from the customs authority. The importer may advice the bank to retire the documents by debiting his current account with the bank or by creating Loan against Trust Receipt. Following steps are taken while retiring the documents –

- ∅ **Entry in the register.**
- ∅ **Passing vouchers.**
- ∅ **Calculation of interest.**
- ∅ **Endorsement in the Bill of Lading and other transport documents and in the bill of exchange.**
- ∅ **Calculation of other charges.**

(Source: AIBL Bank, Annual Report 2017.) (Bangladesh Bank (2017) L/C activities)



3.3 Export Section

Nature of wealth in every country depends on the increase of production and increasing participation in international trade. Bangladesh exports a large quantity of goods and services to foreign. By increasing production in the export sector we can raise the employment level of such a highly populated country like Bangladesh. Readymade textile garments, tea, Jute, Jute-made products, frozen shrimps are the main goods that Bangladeshi exporters export to foreign countries.

Garments sector is the biggest sector that exports the maximum share of the country's export. Bangladesh exports most of its readymade garments products to European Community (EC) countries and USA. Bangladesh exports about 40% of its readymade garments products to U.S.A. Most of the exporters who export through Al-Arafah Islami Bank Ltd. are readymade garments exporters. They open export letter of credit here to export their goods, which they open against the import letter of credits opened by their foreign importers.



Export letter of credit operation is just reverse of the import letter of credit operation. For exporting goods by the local exporter, bank may act as advising banks and collecting bank for the exporter.



Figure 5.1: Export Income of Bangladesh
(Source: Bangladesh bank (2017), Export income)



3.3.1 Export Policy

Export policies formulated by the Ministry of Commerce, Government of Bangladesh (GOB) provide the overall incentives and guideline for improvement of exports in Bangladesh. Export policies also set out merchandise-wise annual target. It has been decided to formulate these policies to cover a five-year period to make them simultaneous with the five-year plans and to provide the policy rule.

The export-oriented private sector, through their representative chambers and bodies are advice in the formulation of export policies and are also conveying in the various export promotion bodies set up by the government.

3.3.2 Export Incentives

a) General Incentives:

- ∅ **National Export Trophy to successful exporters**
- ∅ **Arrangement of international trade fairs**
- ∅ **Training course on external trade**

b) Financial Incentives:

- ∅ **Restructuring of Export Credit Guarantee plan**
- ∅ **Variability of Taka in current account**
- ∅ **Export Development Fund**
- ∅ **Exporters can deposit 40% of Free on Board (FOB) value of their export earnings in own accounts in dollar and pound sterling;**
- ∅ **Expansion of export credit period from 90 days, 180 days to 270 days;**
- ∅ **50% tax discount on export earnings Duty draw back**
- ∅ **Bonded warehouse facilities to 100% export oriented firms**
- ∅ **Liability free import of capital equipment for 100% export oriented firms**



C) Other Activities:

- ⌘ **Simplification of exports process**
- ⌘ **Assistance in development of quality and packaging of exportable products.**

3.3.3 Export Procedures

The export and Import trade in our country are regulated by the Import and Export Control Act, 1950. Under the export policy of Bangladesh the exporter has to get Export registration Certificate (ERC) form Chief Controller of Import and Export (CCI&E). The ERC is required to renew every year. The ERC number is to incorporate on EXP forms and other papers connected with exports.

3.3.4 Export L/C

There are a number of procedures, which an exporter has to fulfill before and after shipment of goods. These procedures are describe as follows –

1. Obtaining Export Registration Certificate (ERC):

No exporter is agreed to export any goods permissible for export from Bangladesh unless he is registered with Chief Controller of Exports and Imports (CCI & E) and holds maintain Export Registration Certificate (ERC).

2. Obtaining Export Form:

After having the registration, the exporter applies to AIBL with the trade license, Export Registration Certificate and the Certificate from the concerned Government Organization gets Export Form. If the bank is satisfied, an Export Form is issued to the exporter.



3. Securing the order:

After getting Export Registration Certificate, the exporter may go along to secure the export order. He can do this by contracting the buyers directly through conformation.

4. Signing of the contract:

After informing with buyer the exporter has to get brief for exporting exportable items from Bangladesh detailing goods, price, quantity, shipment, insurance, arbitration, inspection, etc.

5. Receiving the Letter of Credit:

After getting agreement for sale, exporter should tell the buyer for Letter of Credit clearly say terms and conditions of export and payment. After receiving Letter of Credit, the following points are to be looked for:

- a. The terms of the Letter of Credit are in consequence with those of the contract.
- b. The Letter of Credit allows sufficient time for shipment and a reasonable time for registration.
- c. The Letter of Credit is an irrevocable one, preferably confirmed by the advising bank.
- d. If the exporter wants the Letter of Credit to be transferable, advisable, divisible, he should ensure those promise are specially mentioned in the Letter of Credit.

6. Procuring the materials:

After making the trade and on having the letter of credit opened in his favor, the next step for the exporter is to set about the duty of producing or manufacturing the contracted merchandise.



7. Endorsement on Export Form

Before the exporters with the customs authorities port the export forms, they should get all the copies endorsed by AIBL. Before shipment, exporter submits Export form with commercial invoice. The AIBL officer checks it properly, if satisfied, certifies the Export Form without it, exporter he cannot make shipment. The customer must declare all exports goods on the Export Form issued by the authorized dealers.

8. Disposal of Export Forms:

- a. Original:** Customs authority reports first copy of Export form to Bangladesh Bank after shipment of the goods.
- b. Second copy:** Negotiating bank reports the 2nd copy to Bangladesh Bank in or after negotiation date but not later than 14 days from the date of shipment.
- c. Third Copy:** On realization of export proceeds the same bank to the same authority reports third copy.
- d. Fourth Copy:** Finally, the negotiating bank as their office copy retains 4th copy.

9. Shipment of goods:

Exporter makes shipment according to the terms and condition of Letter of Credit.



10. Presentation of export documents for negotiation:

After shipment, exporter submits the following documents to AIBL for negotiation:

- a) **Commercial Invoice**
- b) **Bill of Lading**
- c) **Bill of Exchange or Draft;**
- d) **Certificate of origin**
- e) **Insurance Policy/Certificate**
- f) **Consular Invoice**
- g) **Inspection Certificate**
- h) **Quality Control Certificate**
- i) **Packing List**

12. Examination of Document:

Banks trade with documents only, not with commodity. As the negotiating bank is giving the value before repatriation of the export proceeds it is advisable to scan and examine each and every document with great care whether any disagreements is observed in the documents. The bankers are to fix that the documents are strictly as per the terms of letter of credit before negotiation of the export bill. Bank officers assigned for examining the export documents may use a checklist for their advantage.

13. Negotiation of export documents:

Negotiation keeps for payment of value to the exporter against the documents mortgaged in the letter of credit. If documents are in order AIBL purchases the same on the basis of customer-banker relationship. This is known as Foreign Documentary Bill Purchase (FDBP). If the bank is not satisfied with the documents submitted to AIBL gives the exporter reasonable time to move the discrepancies or sends the documents to letter of credit opening bank for collection. This is known as Foreign Documentary Bill for Collection (FDBC).



14. Settlement of Local Bills:

The settlement of local bills is describe in following ways-

- a. The customer submits the Letter of Credit to AIBL along with the documents to negotiate.
- b. AIBL official scan the documents to ensure the conformity with the terms and conditions.
- c. The documents are then forwarded to the Letter of credit opening bank.
- d. The Letter of Credit issuing bank gives the acceptance and forwards an acceptance letter.
- e. Payment is given to the customer on either by collection basis or by purchasing the document.

3.3.5 Mode of payment of export bill under Letter of Credit

- ⊗ **Sight payment**
- ⊗ **Deferred payment**
- ⊗ **Acceptance credit**
- ⊗ **Negotiation**

a. Sight Payment Credit:

Sight Payment Credit means that, the bank pays the stipulated amount immediately against the exporter's presentation of the documents.

b. Deferred payment Credit:

Deferred payment means that, the bank agrees to pay on a specified future date or event, after offering of the export documents. No bill of exchange is involved. In AIBL payment is given to the party at the rate of D.A 60-90-120-180 as the case may be.

c. Acceptance credit:

Acceptance credit means that, the exporter presents a bill of exchange payable to him and drawn at the agreed slender on the bank that is to accept it. The bank indication its acceptance on the bill and returns it to the exporter. Then the exporter can represent it for payment on maturity. Alternatively he can discount it in order to make immediate payment.



d. Negotiation Credit:

Negotiation credit means that, the exporter has to present a bill of exchange payable to him in collection to other documents that the bank negotiates.

3.3.6 Advising Letter of Credit

When export letter of credit is sent to the bank for advising, the bank sends an Advising Letter to the beneficiary depicting that letter of credit has been issued. Test key preparation is a secret code obeyed by the banks for the authentication for their telex messages. AIBL has test key arrangements with so many banks for the authentication of letter of credit messages and for making payment. Usage time will be up to 180 days. Securitization of master Letter of Credit-

- ⊗ **Defective Points appears in the Master letter of credit:**
- ⊗ **Issuing bank is not famous**
- ⊗ **Advising credit by the advising bank without certification.**
- ⊗ **Port of destination absent.**
- ⊗ **Shipment /presentation period is not sufficient**
- ⊗ **UCP clause not mentioned.**
- ⊗ **Bill of loading to blank endorses, to endorse to 3rd bank, to be endorsed to buyer or 3rd party.**
- ⊗ **No specific reimbursing clause.**
- ⊗ **Original documents to be sent to buyer or nominated agent**
- ⊗ **Letter of Credit shall expire in the country of the issuing bank**
- ⊗ **Negotiation is restricted**



3.3.7 Export Financing

Financing exports form an important part of a bank's activities. Exporters require financial services at four different stages of their export operation. During each of these phases, exporters need different types of financial support depending on the nature of the export contract. AIBL Bank plays a vital role in performing such jobs and helps the exporter to carry on their business operation.

- ∅ **Pre-shipment credit**
- ∅ **Post-shipment credit**

(a) Pre-shipment credit

Pre-shipment credit means that, it is given to finance the activities of an exporter prior to the actual shipment of the goods for export. The intention of such credit is to meet working capital needs starting from the point of purchasing of raw materials to final shipment of goods for export to foreign country. Before approving such credit to the exporters the bank takes into regard about the credit ability, export performance of the exporters, together with all other necessary information required for approve the credit in imitation with the existing rules and regulations. Pre-shipment credit is given for the following purposes:

- ∅ **Producing of goods for export.**
- ∅ **Payment of insurance premium.**
- ∅ **Cash for local receipt and meeting related expenses.**
- ∅ **Packing and transporting of goods for export.**
- ∅ **Freight charges**
- ∅ **Inspection fees etc.**



(b) Post Shipment Credit:

Post Shipment credit means that, the credit facilities expanded to the exporters by the banks after shipment of the goods against export documents. Necessity for such credit rise, as the exporter cannot afford to wait for a long time for without paying producers. Before expanding such credit, it is necessary on the part of banks to look into carefully the financial recovery of exporters and buyers as well as other relevant documents connected with the export in accordance with the rules and regulations in force. Banks in our country expand post shipment credit to the exporters through:

- ⊗ **Foreign Documentary Bill Purchase (FDBP)**
- ⊗ **Negotiation of documents under Letter of Credit**
- ⊗ **Advances against Export Bills committed for collection**

3.3.8 Export Documents Checking

1. General verification: -

- ⊗ **Letter of Credit restricted or not.**
- ⊗ **Failure of documents**
- ⊗ **Exporter submitted documents before expiry date of the credit.**

2. Particular verification:

- ⊗ Each and every document should be verified with the Letter of Credit.



3. Cross verification:

- ⊗ **Verified the entire Document once again.**
- ⊗ **After proper checking of a related Export document banker may find following discrepancies:**

General:

- ⊗ **Late presentation L/C expired**
- ⊗ **Letter of Credit over-drawn**
- ⊗ **Late shipment**
- ⊗ **Partial shipment beyond L/C terms.**

Bill of exchange (B/E):

- ⊗ **Amount of bill of exchange differ with Invoice.**
- ⊗ **Not drawn on letter of credit issuing Bank.**
- ⊗ **Not signed**
- ⊗ **Tenor of bill of exchange not identical with letter of credit.**
- ⊗ **Full set not submitted.**

Commercial Invoice (C/I):

- ⊗ **Not signed by the Beneficiary.**
- ⊗ **Not issued by the Beneficiary.**
- ⊗ **Not made out in the name of the Applicant**
- ⊗ **Description, quantity, Price, sales terms of the goods not agree to the Credit.**
- ⊗ **Not checked one lap as Original.**
- ⊗ **Shipping Mark differs with bill of lading & Packing List.**



Packing List:

- ⊘ **Not signed by the Beneficiary.**
- ⊘ **Gross Wt., Net Wt. & Measurement, Number of Cartoons/Packages differs with Bill of Lading.**
- ⊘ **Shipping marks differ with Bill of Lading.**
- ⊘ **Not market one lap as Original.**

Air Way Bill or Bill of Lading (Transport Documents):

- ⊘ **Full set of Bill of Lading not submitted.**
- ⊘ **Bill of Lading is not endorsed to the Order of AIBL.**
- ⊘ **“Shipped on Board”, “Freight Prepaid” or “Freight Collect” etc. notations are not marked on the Bill of Lading.**
- ⊘ **Shipped on Board Notation not showing port of loading and vessel name.**
- ⊘ **Shipped on Board Notation not showing name of intended vessel.**
- ⊘ **Short Form Bill of Lading**
- ⊘ **Charter party Bill of Lading**
- ⊘ **Description of goods in Bill of Lading not agrees with that of Invoice.**
- ⊘ **Alterations in Bill of Lading not authenticated.**
- ⊘ **Loaded on Deck.**

Others:

- ⊘ **N.N. Documents not onwards to buyers or onwards beyond letter of credit terms.**
- ⊘ **Short shipment Certificate not submitted.**
- ⊘ **Insufficient number of Invoice, Packing List, and B/L & Others submitted.**
- ⊘ **While checking the export documents following things must be taken in consideration**

(Source: AIBL Annual Report 2017) (Bangladesh Bank (2017) L/C activities)



3.4 Foreign remittance section

3.4.1 Foreign Currency (FC) Accounts

Foreign Currency Account (FCA) is a transactional account denominated in a currency other than the home currency and can be maintained by a bank in the home country or a bank in another country. Now the operation of foreign currency account has been more liberalized. Funds from these Accounts are freely remittable to any country according to the needs of Accounts holder AIBL provides the service of foreign remittance through foreign currency accounts to the clients. Types of Account are:

- ⊗ **FC Account**
- ⊗ **Citizen or resident Foreign Currency Deposit Account**
- ⊗ **Non-Citizen or Non-resident Foreign Currency Deposit Account.**

3.4.2 Currency in which FC A/Cs can be opened Foreign Currency Accounts can be opened either in

- ⊗ **US dollar**
- ⊗ **Pound**
- ⊗ **Euro**
- ⊗ **Japanese Yen**

3.4.3 Papers and Documents required for opening Foreign Currency Account

a) For Bangladesh wage Earners

- ⊗ **Photocopy of first seven pages of valid passport and visa page.**
- ⊗ **Photocopy of appointment letter/ employment contract/ work permit.**
- ⊗ **Two copies of passport size recent photograph of each account holder and nominee properly attested.**

b) For foreign National/ Company/ Firm

- ⊗ **Two copies of recent photograph of account holder for individual operations of other account holder.**
- ⊗ **Photocopy of relevant pages of passport for individual and operators of other account holder.**
- ⊗ **Photocopy of work permit, service contract if any for individual.**
- ⊗ **Photocopy of registration in Bangladesh with Board of investment/ Bangladesh Bank for foreign.**
- ⊗ **Photocopy of the memorandum and articles of Association/ Laws/ Bye Laws etc.**



3.4.4 Foreign remittance

There are two types of Foreign Remittance:

- 1. Inward Remittance**
- 2. Outward Remittance**

1. Inward Remittance

The term "Inward Remittance" includes not only purchase of Foreign Currency by TT, MT, Drafts etc. but also purchases of Traveler's cheques, purchases of bills. Two forms as performed by Bangladesh Bank are used for purchase of Foreign Currencies such as.

Export Form: Remittances received against exports of goods from Bangladesh are done by Export form.

Form C: "C" form is the form issued by buyer to the supplier when the purchase transaction is from out of state.

Purchase of Currency Notes, Travelers' cheques, Drafts etc.

Following General examination is required in addition to common decision of the dealing officers: -

- ∅ Currency notes to be checked very carefully so as to avoid risk of purchasing forged Notes.
- ∅ Drafts should not be purchased under any situation unless the holder is a regular customer of the bank. Indemnity Bond to be earning for revering the amount paid in advance to the holder in case of dishonor of the document.
- ∅ When purchasing Travelers cheque signature of the holder to be acquired on the TC/s in front of the Bank officials and should be confirmed with the signature of the holder already given at the time of issuance of TC/s,
- ∅ The private cheque should not be purchased under any situation without prior approval of Head Office.

2. Outward Remittance:

The term "Outward remittances" include not only remittance i.e. sale of foreign currency by MT, TT, Travelers cheque, Drafts, but also includes payment against imports into Local currency credited to Non-resident Taka Accounts of Foreign Banks. Two forms are used for Outward Remittance of foreign Currency such as: -

T.M. Form: For all other outward remittances T.M. form is used.

IMP Form: All outward remittance on account of Imports is done by form IMP.

A. Private Remittance:

- ∅ Family remittance facility
- ∅ Remittance of Membership fees/registration fees etc.
- ∅ Travel



- ∅ Health & Medical
- ∅ Remittance of Consular Fees
- ∅ Education
- ∅ Remittance of evaluation fee
- ∅ Seminars & workshops
- ∅ Remittance for Hajji
- ∅ Foreign Nationals
- ∅ Other Private remittance

B. Official & Business Travel:

- ∅ Official Visit
- ∅ Business Travel Quota for Importers and Non-exporting producers
- ∅ Business Travel Quota for New Exporters
- ∅ Exporters' holding Quota

C. Commercial Remittances:

- ∅ Opening of branches or subsidiary companies abroad
- ∅ Remittance of Dividend
- ∅ Remittance of profits of foreign firms/branches
- ∅ Remittance on account of training & consultancy
- ∅ Remittance of Royalty and technical fees
- ∅ Remittance by shipping companies airlines & courier service
- ∅ Subscriptions to foreign media services
- ∅ Advertisement of Bangladeshi Products in mass media abroad
- ∅ Bank Charges

3.4.5 Dealing in Foreign Currency Notes & Coins

The Authorized Dealers and Authorized Money Changer are selected to deal in foreign currency notes & coins Authorized Dealers and Money Changers can freely buy foreign currency from incoming passengers regardless of nationality and regardless of whether or not a declaration on form FMJ is created at the time of encashment. If this form is created, the amount encashed should be endorsed on it. The Authorized Dealers may also purchase foreign currency coins, notes, and other travel instruments freely from Authorized Money changers without producing the form of FMJ. An incoming person, who is ordinarily resident in Bangladesh-

- ∅ May keep foreign exchange up to US\$ 5000/- or brought same in without declaration.



- ⊘ Take-out the same freely at the time of departure from Bangladesh without endorsement in passport and air ticket
- ⊘ Deposit the amount in Resident Foreign Currency Deposit (RFCD) account of the person concerned.

(Source:http://bangladeshcustoms.gov.bd/beta/relevant/foreign_currency_declaration_form.)

3.4.6 Foreign Exchange Income

Over the year, treasury maintained banks net open position and FC liquidity in a prudent manner to manage exchange rate risk involved in commercial transactions of both on-shore and off-shore banking units. The year started with USD 22.30 billion reserve and at the yearend it was USD 27.06 billion.

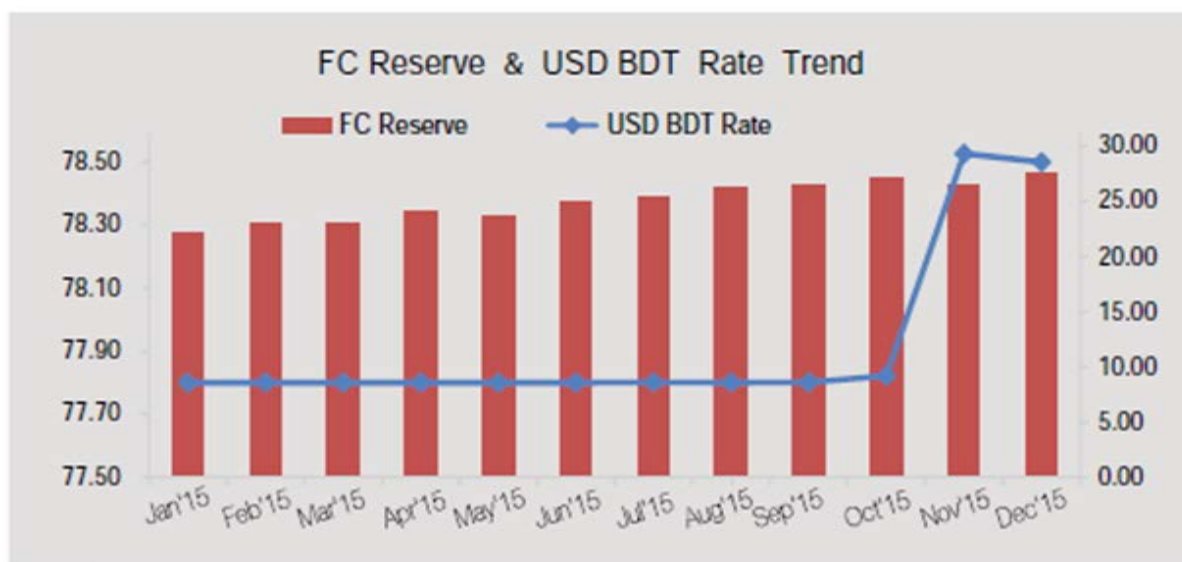


Figure : Foreign Exchange Income

(Source: *Bangladesh customs (2017)* from http://bangladeshcustoms.gov.bd/beta/relevant/foreign_currency_declaration_form.)
(*Bangladesh Bank (2017) Remittances*)

3.5 Introduction to Letter Of Credit

Letter of credit (L/C) can be defined as a “Credit Contract” whereby the buyer’s bank is performed (on behalf of the buyer) to place an agreed amount of money at the seller’s adjustment under some approved



conditions. Since the agreed conditions include, amongst other things, the presentation of some specified documents, the letter of credit is called Documentary Letter of Credit.

- ⊘ **Is to make a payment to or to the instruction of a third party (the beneficiary) or is to accept and pay bills of exchange (Drafts) pulled by the beneficiary.**
- ⊘ **Authorizes another bank to negotiate against mortgaged documents provide that terms and conditions are complied with.**
- ⊘ **Authorizes another bank to effect such payment or to accept and pay such bills of exchange (Drafts)**

(Source: Bangladesh Bank (2017) L/C activities.)

3.6 Processing of L/C proposal

- ⊘ **Name and address of the party.**
- ⊘ **Name and address of the government.**
- ⊘ **TIN and IRC number. Date of opening of accounts.**
- ⊘ **Turnover in CD account.**
- ⊘ **Amount of L/C applied.**
- ⊘ **Commodity to be imported.**
- ⊘ **Branch's total exposure on the proposal item.**
- ⊘ **Branch's total exposure (total outstanding on account of the party).**
- ⊘ **Name and address of the beneficiary.**
- ⊘ **Status report on the beneficiary.**
- ⊘ **Country of origin.**
- ⊘ **Mode of shipment.**
- ⊘ **Margin proposed by the party.**
- ⊘ **Margin recommended by the branch manager.**
- ⊘ **Shipment validity.**
- ⊘ **Past performance of the party.**
- ⊘ **Present liability of the party in its own name and on account of sister concerns:**
 - ⊘ **L/C Liabilities.**
 - ⊘ **PAD Liabilities.**
 - ⊘ **LIM Liabilities.**
- ⊘ **Landed cost (of the item to be imported).**
- ⊘ **Landed cost per unit.**



- ∅ Market price per units .
- ∅ Retirement of documents
- ∅ Business worth / ability of the applicant.

3.7 Types of Documentary Credit/ Letter of Credit

- 1. Revolving credit**
- 2. Revocable credit**
- 3. Irrevocable credit**
- 4. Back-to-Back credit**
- 5. Transferable credit**

3.7.1 Revolving Credit:

The revolving credit is one that provides for refund the credit to the original amount after it has been utilized.

3.7.2 Revocable credit

A revocable credit is a credit that can be improve or cancelled by the issuing bank at any time without earlier notice to the seller.



3.7.3 Irrevocable credit

An irrevocable credit constitutes a definite undertaking of the issuing bank provided that the mortgaged documents are submitted and the terms and conditions are satisfied by the seller. This sort of credit is always preferred to revocable letter of credit.

3.7.4 Back-to-Back Credit:

Back-to-back credit means that credit is a new credit opened on the basis of an original credit in favor of another beneficiary.

3.7.5 Transferable Credit:

A transferable credit is one that can be transferred by the original beneficiary in full or in part to one or more after beneficiaries such credit can be transferred once only unless otherwise specified.

(Source: Educarnival (2017) *letter-of-credit*. Bangladesh)

3.8 Parties to a Letter of Credit:

- **The Beneficiary**
- **The Issuing Bank**
- **The Confirming Bank**

Beneficiary –Beneficiary is the party in whose favor the letter of credit is established.

Issuing Bank – It is the bank which opens/issues a letter of credit on behalf of the importer.

Confirming Bank – It is the bank, which adds its confirmation to the letter of credit and it done at the request of issuing bank. Confirming bank can or cannot be advising bank. Other parties that facilitate the Documentary or Letter of credits are:

- ⊗ **The Applicant,**
- ⊗ **The Advising Bank,**
- ⊗ **The Accepting Bank,**
- ⊗ **The Transferring Bank**

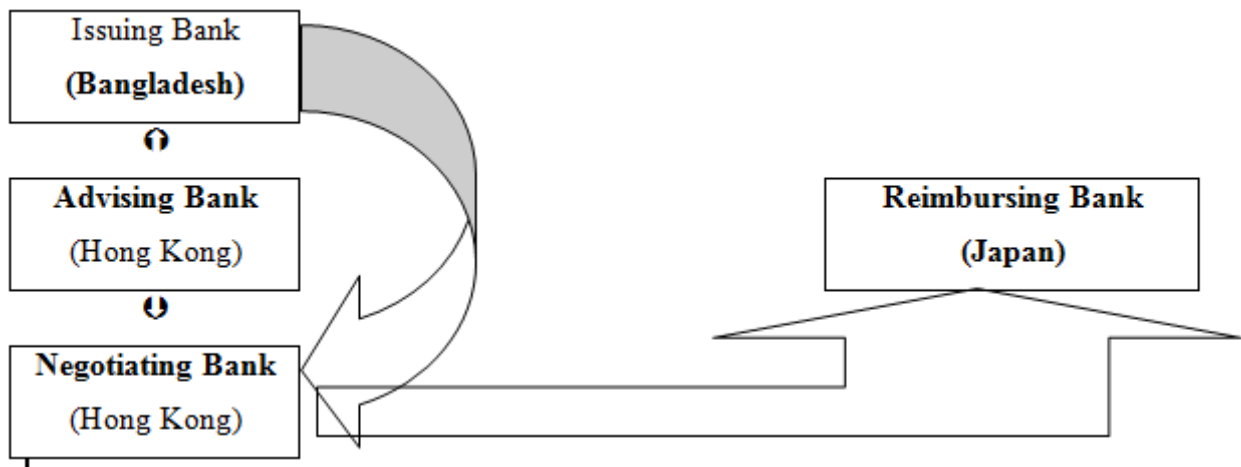


Figure 4.1: Different parties of Documentary or Letter of Credit

(Source: Educarnival (2017) letter-of-credit. Bangladesh)

Applicant – Applicant is the person who requests the opening bank to open a letter of credit. He is also known as importer\buyer.

Advising Bank–Advising bank is the bank through which the letter of credit is advised to the exporters. This bank is actually located in exporter’s country. It may also assume the role of confirming and negotiating bank depending upon the condition of the letter of credit.

Negotiating Bank –Negotiating bank is the bank, which bargain the bill and pays the amount of the beneficiary. The advising bank and the negotiating bank can or cannot be the same. Sometimes it can also be confirming bank.

Accepting Bank –Accepting bank is the bank on which the bill will be drawn (as per condition of the letter of credit). Usually it is the issuing bank.



3.9 Parties at a Glance of L/C:

Importer	Who applies for L/C
Issuing Bank	It is the bank which opens/issues a L/C on behalf of the importer.
Confirming Bank	It is the bank, which adds its confirmation to the credit and it, is done at the request of issuing bank. Confirming bank may or may not be advising bank.
Advising or Notifying Bank	It is the bank through which the L/C is advised to the exporters. This bank is actually situated in exporter's country. It may also assume the role of confirming and / or negotiating bank depending upon the condition of the credit.
Negotiating Bank	It is the bank, which negotiates the bill and pays the amount of the beneficiary. The advising bank and the negotiating bank may or may not be the same. Sometimes it can also be confirming bank.
Accepting Bank	It is the bank on which the bill will be drawn (as per condition of the credit). Usually it is the issuing bank.



3.10 Some Important Documents of Letter of Credit

2. Invoice
3. Bill of Exchange
4. Forwarding
5. Bill of Lading
6. Shipment Advice
7. Certificate of Origin
8. Packing List

3.10.1 Invoice

Invoice is the price list including with quantities. Several copies of invoice are given. Two copies should be given to the client and the other copies should be put in the bank. If there is only one copy, then its photocopy should be put in the bank and the original copy should be given to the client. If any original invoice holds the custom's seal, then it cannot be given to the client.

3.10.2 Bill of Exchange

A "bill of exchange" is an instrument in writing containing an unconditional order signed by the producer, occupying a particular person to pay a certain amount of money only to or to the order of a certain person or to the bearer of the instrument. It may be either at sight or particular day sight. At sight means making payment whenever papers will reach in the issuing bank.

3.10.3 Forwarding

Forwarding is the letter given by the advising bank to the issuing bank. Different copies are sent to the issuing bank. All copies including original should be put in the bank.

3.10.4 Bill of Lading

Bill of Lading is the bill given by shipping company to the client. Only one copy of Bill of Lading should be given to the client and the other copy should be put in the bank.

3.10.5 Shipment Advice

The copy refer to the name of the insurance company should be given to the client and the remaining copies should be put in the bank. But if only one copy is given, then the photocopy should be put in the bank and the main copy should be given to the bank.



3.10.6 Certificate of Origin

Certificate of origin is a document tells the producing country of the goods. One copy of the certificate of origin should be given to the client and the other copy should be put in the bank. But if there is only one copy, then the photocopy should be kept in the bank.

3.10.7 Packing List

Packing list is the letter describing the number of packets and their size. If there are different copies, then two copies should be given to the client and then the other should be kept in the bank. But if there is only one copy, then the photocopy should be put in the bank and the original copy should be given to the client.

3.11 Required documents for opening Letter of Credit

The importer after receiving the preformed invoice from the exporter, by applying for the issue of a letter of credit, the importer request his bank to make a commitment of payment to the supplier. Obviously, the bank will only agree to this request if it can believe on reimbursement by the applicant. The applicant must therefore have enough funds in the bank account or a credit line sufficient to cover the required amount. Banks deal in documents and not in goods. Once the Bank has issued the credits its obligation to pay is conditional on the presentation of the mortgaged documents within the proper time limit. The importer should submit the following documents for opening L/C:

- ⊗ **Import Registration Certificate (commercial/industrial).**
- ⊗ **Tax Identification Number Certificate (TIN)**
- ⊗ **Pro-forma Invoice or Indent properly accepted by the importer.**
- ⊗ **Membership Certificate of a recognized Trade Association as per IPO.**
- ⊗ **L/C Application form properly signed by the importer.**
- ⊗ **Letter of Credit authorization Form (LCAF) commercial or industrial.**
- ⊗ **A declaration, that the importer has paid income-tax or submitted income tax returns for the year previous year.**
- ⊗ **Insurance Cover Notice with money paid receipt covering value goods to the imported.**
- ⊗ **IMP Form properly signed by the importer**



3.12 FORM – IMP

This form is prepared for maintaining account of the money, which goes outside the country for the purpose of payment. It is an application for permission to purchase foreign currency for the payment of import. This form is required by Bangladesh Bank.

3.12.1 IMP – FORM has four copies:

- ⊗ **Original copy for Bangladesh Bank.**
- ⊗ **Second copy for authorized dealers.**
- ⊗ **Third copy for authorized dealers' record.**
- ⊗ **Fourth copy for submission to the bank .**

3.12.2 Following documents are sent with FORM-IMP:

- ⊗ **One copy of Commercial invoice**
- ⊗ **Pro-forma invoice**
- ⊗ **Letter of Credit Authorization Form**

3.12.3 The following information is included in the FORM-IMP:

- ⊗ **Amount of foreign currency in words and figures**
- ⊗ **Name and address of the authorized dealer**
- ⊗ **Names and address of the beneficiary**
- ⊗ **L/C Authorization Form number and date**
- ⊗ **Description of the goods**
- ⊗ **Quantity of the goods**
- ⊗ **Country of origin and port of shipment**
- ⊗ **Registration number of L/C Authorization Form with Bangladesh Bank**

(Source: Educarnival (2017) *letter-of-credit*. Bangladesh)



CHAPTER- 4

EVALUATION OF FOREIGN EXCHANGE OPERATIONS



4.1 Foreign Exchange Performance:

Foreign Exchange department of AIBL has performed well in last 5 years where there has been significant growth in different segments of the Bank. Some general observations of the performance of the Al-Arafah Islami Bank are as follows:

4.2 Foreign exchange business (Export, Import, Remittance)

(Amount in Million BDT)

Year	2013	2014	2015	2016	2017
Export Business	122217.34	120996.9	130353.32	134412.44	145790.4
Import Business	128445.77	143314.4	135409.88	146795.57	152703.3
Remittance	3744.36	5770.2	2889.48	3776.67	3766.7
Total Foreign Exchange Business	254407.47	270081.5	268652.68	284984.68	302260.4

Analysis & Findings:

From this table we see that Al-Arafah Islami Bank foreign exchange department always active to their performance. From 2013 to 2017 there was a little difference between their achievements, in 2017 their performance were close to 100%. In 2015 their performance was medium, but in 2013-2017 their performance was so good. In remittance sector 2016-2017 the performance was medium but in 2015 performance was very poor.



4.3 Year wise Export Business & Growth Rate:

(Amount in Million BDT)

Year	2013	2014	2015	2016	2017
Export Business	122217.34	120996.9	130353.32	134412.44	145790.4
Growth rate of export business	28.16%	-1.00%	7.73%	3.11%	8.46%

Interpretation:

In the year 2013 , Export business of the AIBL was BDT 122.22 billion (equivalent USD 1.64 billion) by handling 33857 number of export documents. Export business achieved 28.16% growth in 2012.

In the year 2014, Export business of the bank was BDT 121.00 billion (equivalent USD 1.28 billion) by handling 34356 number of export documents. Export business plunged by 01.00% in 2014.

In the year 2015, Export business of the bank was BDT 130.35 billion (equivalent USD 1.73 billion) by handling 39150 number of export documents. Export business achieved 3.11% profit in year 2016.

In the year 2017, Export business of the bank was BDT 145.80 billion (equivalent USD 1.87 billion) by handling 42133 number of export documents. Export business achieved 8.47% growth in 2017 compare to 2016.



4.4 Year wise Import Business & Growth Rate:

(Amount in Million BDT)

Year	2013	2014	2015	2016	2017
Export Business	122217.34	120996.9	130353.32	134412.44	145790.4
Import Business	128445.77	143314.4	135409.88	146795.57	152703.3
Growth rate of import business	0.87%	11.58%	5.52%	8.41%	5.52%

Interpretation:

In the year 2013 , import business of the bank was BDT 128.45 billion (equivalent USD 1.71 billion) by handling 34271 number of import letter of credits. Import business plunged by 0.87% in 2013 compare to previous year.

In the year 2014 , import business of the bank was BDT 1143.31 billion (equivalent USD 1.74 billion) by handling 35843 number of import letter of credits. Import business achieved 11.58% growth in 2014 compare to previous year .

In the year 2015, import business of the bank was BDT 135.41 billion (equivalent USD 1.73 billion) by handling 37374 number of import letter of credits. Import business plunged by 5.52% in 2015 than that of 2014.

In the year 2016, import business of the bank was BDT 146.80 billion (equivalent USD 1.88 billion) by handling 37818 number of import letter of credits. Import business achieved 8.41% growth in 2016 compare to previous year.

In the year 2017, import business of the bank was BDT 152.70 billion (equivalent USD 1.95 billion) by handling 37818 number of import letter of credits. Import business achieved 5.52% growth in 2017 compare to previous year 2016.



4.5 Year wise Remittance Business & Growth Rate:

(Amount in Million BDT)

Year	2013	2014	2015	2016	2017
Remittance	3744.36	5770.2	2889.48	3776.67	3766.7
Growth rate of remittance	23.32%	54.10%	49.92%	30.70%	0.26%

Interpretation :

Bank received BDT 3.74 billion as wage earners remittances in 2013. Inward remittance achieved 23.32% growth in 2013 compare to previous year.

Bank received BDT 5.77 billion (equivalent USD 0.03 billion) by handling 56848 number of wage earners remittances. Inward remittance achieved 54.10% growth in 2014 compare to previous year 2013.

In year 2015, Bank received BDT 2.90 billion (equivalent USD 0.04 billion) by handling 51254 number of wage earners remittances. Inward remittance achieved 49.92% in the year 2015 than that of 2014.

In the year bank received BDT 3.78 billion (equivalent USD 0.04 billion) by handling 74433 number of wage earners remittances. Inward remittance achieved 30.70% growth in the year 2016.

In the year 2017, bank received BDT 3.77 billion (equivalent USD 0.05 billion) as wage earners remittance. Inward remittance contracted by 0.26% in 2017 compare to 2016.



CHAPTER: 5

CONCLUSION



5.1 Conclusion

The roles of financial institutions have become exceedingly crucial with the increase in the economic development in Bangladesh. Al-Arafah Islami Bank Limited is the third generation bank that also contributes to the socioeconomic development of the country. Although Al-Arafah Islami Bank Limited has some issues that are needed to be resolved, nevertheless it is progressing and has a greater prospect to develop further ones the problems are resolved. Internship program is very important for every business student. Students have acquired theoretical knowledge. This program gives us the prospect to have the practical knowledge. Although the internship period is very short to acquire in-depth knowledge, yet it gave the taste of commercial world. It is hard to cover the entire related topic but there was no lacking in hard work to make this report the best one. In the financial world banking sector is the heart of a developing country. In order to develop a country's economy, a good banking plays a very important role through their modern products and services. Among a large number of services, Export activities are one of the most important factors that directly hit a country's economy. Al-Arafah Islami Bank Limited is working tremendously to become one of the pioneers in banking sector. Al-Arafah Islami Bank Limited is one of the leading banks in Bangladesh, which works for customer satisfaction through quality services. The bank launch advanced technologies and software to provide fastest service to its customers. Transaction of Al-Arafah Islami bank is doing very smoothly and interest rate is also good . Finally I can say that banking service of the Al-Arafah Islami Bank Limited operates and getting modernized very well day by day.



CHAPTER 6

FINDINGS AND RECOMENDATIONS



6.1 Findings of the study

The main objective of Al-Arafah Islami Bank Ltd is to maximize profit by utilizing its resources at the optimum level and to ensure the best possible service towards the customers. In the above part of the analysis, the performance of Al-Arafah Islami Bank Ltd had been analyzed through the trend or horizontal analysis over the last five years by discussing the graphical presentation. By analyzing the Export Activities and other Foreign Exchange product, the results that came out is given below:

1. By analyzing Export Business, it can be said that Export Business of AIBL bank is increasing day by day. The Export Business trend is also increasing which will make their revenue more affluent. The bank expanded its Foreign Exchange assets during FY2014, FY2015, FY2016 and FY2017. Also, they are satisfying their Importer by increasing their value.
2. Exports, Import, Foreign Remittance growth rate increasing in 2017 have been compared with the previous year.
3. For the effectiveness of the foreign exchange department, Al-Arafah Islami Bank Ltd has divided the whole department into three major parts, which are Export, Import, and Remittance.
4. The monitoring system of the foreign exchange department of AIBL Bank is excellent. The chain of command is strictly maintained here. The executives now and then visit the department, which keeps all the officers alert about their duty.
5. Al-Arafah Bank Islami Bank's Export growth rate was not good in 2014 compare to 2013 and 2015.
6. Al-Arafah Islami Bank's import section was fluctuate in year 2013 to 2017.



6.2 Problems:

During the short internship report in Al-Arafah Islami Bank, it is not so easy to find the related problems of foreign exchange operations. Through proper observation some shortcomings regarding operational and other aspects of AIBL banking systems are found . On the basis of the observations following recommendation can be presented:

1. In the performance analysis of the bank, the amount of export income of Elephant Road Branch become comparatively less than total Al-Arafah Islami Bank's export income.
2. The bank sometimes face exchange rate fluctuation problem.
3. Sometimes the bank charges the higher percentage of commission to their clients when they opening the L/C. For that reason the clients are dissatisfied towards the bank and it will put a negative impact on bank's future success.
4. Sometimes I found that a new customer that comes first time to open L/C, they found it difficult to do so.
5. In Elephant Road Branch ,there is no separate IT division so that if there is any problem in computer system they have to send it to head office IT division.
6. Bank is maintaining hand written register book for the export import operation & L/C maintenance is very complex & time consuming & also backdated. There is no computerized system for this purpose.
7. Payment making and receiving process of foreign exchange operation is courier based which is not so authentic. Lots of risk is involved in this process.
8. Although the officials of foreign exchange department of Elephant Road Branch are good but they have some lacking in case of customer dealing and account maintaining.



6.3 Recommendation:

Al-Arafah Islami Bank tries to give the best customer support. On the basis of preceding description & analysis the activities some recommendation are given below which may be effective for the organization:

1. Bank should follow acceptable commission rate to satisfy the clients to retain them in to the business.
2. New customer should be given some advantage and should provide the necessary in details to open L/C. If they are treated well, they may gradually become prime customer for Al-Arafah Islami Bank.
3. The Al-Arafah Islami Bank should introduce more advanced MIS system to complete its day-to-day activities.
4. If Elephant Road Branch of Al-Arafah Islami Bank open separate IT division in branches, it will be able to minimize the time of hamper.
5. Register of the export import operation should be computerized.
6. Bank should find an authentic way in payment making & receiving process. Reliance on courier should be reduced.
7. 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.
8. Long term training very much required for the foreign exchange officers.
9. Arrangement of monthly, quarterly training courses and workshops for the selected by the authority in order to promote employee to their desired level.
10. To provide online services all over the country immediately.



11. To develop customer service with harmony & prompt customer 's service ,like one stop services.
12. New investment sector is booming rapidly. Al-Arafah Islami Bank should identified those untapped areas of business and invest in those sector such as Gas plant, Agriculture project, ship breaking etc.
13. Effective Management Information System must be evolved by Al-Arafah Islami Bank so that correct decisions may be taken at correct time at policymaking level.
14. To attract more clients of Al-Arafah Islami Bank has to create a new marketing strategy, which will increase the total export import business.
15. Attractive incentive packages for the exporter will help to increase the export and accordingly it will diminish the balance of payment gap of Al-Arafah Islami Bank.
16. The bank should think about introducing financial derivatives like OPTION to eliminate the dollar fluctuation problem. It means pre contract on document which help to reduce the risk of dollar fluctuation.