

**Internship Report**  
**On**  
**Foreign Exchange Risk Management of Al-Arafah Islami Bank**  
**Ltd.- A Study at Bashundhara Branch**

**Prepared By:**

**Arowa Alam Anni**

ID: 181-14-825

Program: MBA

Major: Finance

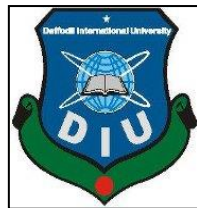
Department of Business Administration  
Daffodil International University

**Supervised By**

**Tanzina Hossain**

Associate Professor

Department of Business Administration  
Daffodil International University



**Daffodil International University**

Date of Submission: 03<sup>th</sup> April 2019

# Letter of Transmittal

03<sup>th</sup> April 2019

**Tanzina Hossain**

Associate Professor

Daffodil International University

## **Subject: Submission of the Internship Report**

Dear Madam,

With great pleasure I submit this Internship Report titled “Foreign Exchange Risk Management of Al-Arafah Islami Bank Ltd.”. This report is prepared by performing 3 months internship in Al-Arafah Islami Bank Ltd, Bashundhara Branch to fulfill the requirement of MBA Program at Daffodil International University Bangladesh.

I earnestly believe & hope that this internship would help me in the long run and also enrich my managerial capabilities. I am indebted for your valuable suggestions and humble cooperation. I have tried of my best to go deep into the matters and make full use of my capabilities in making the study meaningful, although there may be some mistakes and shortcomings.

I also want to thank you for your support and patience with me and I appreciate the opportunity provided by Daffodil International University and Al-Arafah Islami Bank Ltd, Bashundhara Branch to work on this wonderful project. Now I have placed this report before you for your kind approval. For Any kind of queries, I would be available at your convenience.

Yours Sincerely,

---

(Arowa Alam Anni)

ID: 181-14-825

Major: Finance

MBA Program

## **Student Declaration**

I, Arowa Alam Anni, ID: 181-14-825 MBA, declare that the presented internship report on “Foreign Exchange Risk Management of Al-Arafah Islami Bank Ltd.” submitted as a requirement of fulfillment of MBA degree at Daffodil International University is prepared by me and has not been previously submitted to any other University/ College/ Organization for an academic certificate/degree.

The work I have presented does not breach any existing copyright and no portion of this report is copied from any work done earlier for a degree or otherwise.

I further undertake to indemnify the damage arising from breach of the foregoing obligations.

---

(Arowa Alam Anni)

ID No: 181-14-825

Major in Finance

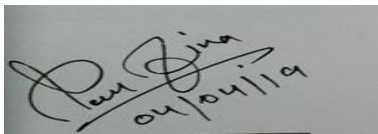
MBA

Daffodil International University

## Letter of Approval

This is to certify that the Internship Report entitled “**Foreign Exchange Risk Management of Al-Arafah Islami Bank Ltd**” for the completion of degree of the Master of Business Administration (MBA) major in Finance from Daffodil International University, carried out by Arowa Alam Anni, ID# 181-14-825 under my supervision. I certify that:

1. She has carried out internship under my direct supervision and guidance (for three months) and that the manuscript of the report has been scrutinized by me.
2. No part of this internship report has been submitted for any degree diploma, title, or recognition before.
3. The final composed copy of this, which is being submitted to the **Daffodil International**
4. **University** has been carefully checked by me for its material and language.



---

**Tanzina Hossain**  
Associate Professor  
Daffodil International University

## Acknowledgement

At the very beginning I would like to express my deepest gratitude to almighty Allah for giving me the strength and the composure to finish the task within the scheduled time. At the beginning of this report, I deem it is my duty to record my appreciation & gratitude to few persons who made my journey smooth and helped me to prepare this report in many ways. I am deeply grateful to our supervisor, Associate Professor Tanzina Hossain for her whole-hearted supervision to me during the preparation of the report. Her suggestions and comments to make the report a good one was really a great source of spirit for me.

I would like to express my deep gratitude to the Daffodil International University for arranging such an interpretive practical field related study to overcome the deficiency of experience. For this reason all credit of this report titled “Foreign Exchange Risk Management of Al-Arafah Islami Bank Ltd.” goes to the MBA department of Daffodil International University.

I am grateful to Md. Al Amin, officer of AIBL, Bashundhara Branch, Dhaka for his support throughout my internship period on this project and provide me with necessary instructions.

Finally I want to convey special message of gratitude to all the faculties & admin people for always being there with me and whole hearted cooperation. In addition, I would like to thank all of the remaining executives, officers & staffs of Al-Arafah Islami Bank Ltd, Bashundhara, Dhaka for their kind co-operation.

Last of all, I would like to thank from bottom of my heart to my friends and well wishers for helping me every moment that encourage me to make this study successfully. Despite of my hard works & my efforts, all errors, of course, remain to me and I seek excuse for that.

Yours sincerely,

## *Executive Summary*

The internship is designed to bridge the gulf between the theoretical knowledge and real life experience. It is designed to have a practical experience while passing through the theoretical understanding. The report is the result of 3-month internship program in Al-Arafah Islami Bank Ltd - Basundhara branch, Dhaka today, necessity of a bank as financial institution is undeniable. These institutions play a vital role in the field of financial stability of a country. Banking sector is one of the most stable financial institutions of any economy.

This report contains five chapters. First chapter deals with Introduction, origin, objective, scope, methodology and limitations of the report. Second chapter is the Organizational part of Al-Arafah Islami Bank Ltd where I have tried to show an overview of Al-Arafah Islami Bank Ltd. and its theoretical background, Mission, Vision, Operating Profit, Deposit growth, etc. Third & fourth chapters contain the theoretical aspect and the learning part of the report; forging exchange risk management and fifth chapter contains findings, recommendations, conclusion and Reference.

The report has been made by a careful review of published annual report, case study & discussion with responsible persons of Al-Arafah Islami Bank Ltd. who are engaged & connected with my related department. While working with foreign exchange division in Al-Arafah Islami Bank Ltd., I have tried to find out some problems.

At last, I have tried to give some recommendations against the mentioned problems of foreign exchange risk management system. I hope and believe, by implementing the mentioned recommendations Al-Arafah Islami Bank Ltd. can reach the pick of its success.

## TABLE OF CONTENTS

CONTENT	PAGE
COVER PAGE	I
FONT PAGE	II
LETTER OF TRANSMITTAL	III
STUDENT DECLARATION	IV
LETTER OF APPROVAL	V
ACKNOWLEDGEMENT	VI
EXECUTIVE SUMMARY	VII
TABLE OF CONTENTS	VIII-XI
<b>Chapter 01: Introduction</b>	<b>1-4</b>
1.1 Introduction	2
1.2 Origin of the Study	2
1.3 Objectives of the Study	2
1.4 Scope of the Study	2
1.5 Methodology of the Study	3
1.6 Limitations	4
<b>Chapter 02: Profile of the Organization</b>	<b>5-9</b>
2.1 Historical Background of AIBL	6
2.2 Objectives of AIBL	6-7
2.3 Specific features of AIBL	7
2.4 Financial Performance of Al- Arafah Islami Bank Ltd	7
2.5 Mission of AIBL	7-8
2.6 Vision of AIBL	8
2.7 Organogram of Al-Arafah Islami Bank Ltd	9
<b>Chapter 03: Theoretical Aspect</b>	<b>10-14</b>
3.1 Foreign Trade	11
3.2 Foreign Exchange Risk	11
3.2.1 Late payment	11
3.2.2 Rejection of document	11
3.2.3 Charge Creation from legal risk and non-compliance risk	12
3.2.4 Issuance of Guarantee	12
3.2.5 Opening LCs without supplier credit Report	12
3.2.6 Provide facility to clients bypassing the regulatory framework	12
3.2.7 Insurance Risk	12
3.2.8 Import of restricted items by certain conditions	13
3.2.9 Pre-Payment Risk	13
3.3 Foreign Exchange Risk Management	13
3.3.1 Minimizing risks through precautionary measures	13
3.3.2 Negotiating the right type of payment and credit terms	13
3.3.3 Introduction of modern communication and service rendering devices in foreign exchange department	14

<b>CONTENT</b>	<b>PAGE</b>
3.3.4 Developing hearty banking relationship with foreign banks in important parts of business world	14
3.3.5 Strict adherence to Bangladesh Bank guidelines in processing import financing	14
<b>Chapter 04: Project Part</b>	<b>15-37</b>
4.1 Foreign exchange department	16
4.2 Import Procedure	17
4.2.1 Importer's Application for L/C Limit Margin	17-18
4.2.2 Salient Features of a Letter of Credit	18
4.2.3 Parties Involved in a Letter of Credit	18
4.2.4 Documents Used in Foreign Trade	18
4.2.4.1 Bill of exchange	19
4.2.4.2 D/A and D/P bills	19
4.2.4.3 Inland and foreign bills	19
4.2.4.4 Marine Insurance Policy	19
4.2.4.5 Invoices	20
4.2.4.6 Commercial Invoice	20
4.2.4.7 Performa Invoice	20
4.2.4.8 Certificates and Other Documents	20
4.2.4.9 Certificate of Origin	21
4.2.4.10 Packing list	21
4.2.4.11. Quality or Inspection Certificate	21
4.2.4.12 Transport Documents	21
4.2.4.13 Bill of Lading	21
4.2.4.14 Presentation of the Documents	22-23
4.3 Export Procedure	23
4.3.1 Entering into an Export contract	23
4.3.2 Export Pricing and Costing	24
4.3.3 Formalities and Procedure	24
4.3.4 Papers Requirement for new Export	24-25
4.3.5 Shipments Documents	25
4.3.6 Export Department	25-26
4.3.7 Preparation of Exports Documents	26
4.3.8 Export Financing	26
4.3.9 Advising a L/C	26-27
4.3.10 Amendment of L/C	27
4.3.11 Back to Back Letter of Credit	27
4.3.12 Processing and Opening of Back-to-Back Letter of Credit	28
4.3.13 Export Cash Credit (ECC)	28
4.4. Parties Involved in International Trade	29
4.5 Nature of Business	29-30



<b>CONTENT</b>	<b>PAGE</b>
4.6 Modes of Investment in AIBL	30
4.6.1 Bai-Murabaha	30
4.6.2 Mudaraba	30
4.6.3 Musharaka	30
4.6.4 Bai-Muajjal	31
4.6.5 Bai- Salam	31
4.7 Exchange Instrument	31
4.7.1 Cheque	31
4.7.2 Negotiable Instrument	31
4.7.2.1 Promissory note	31
4.7.2.2 Bill of exchange	32
4.7.3 Accommodation Bills	32
4.7.4 Fictitious Bills	32
4.7.5 Documentary bill	32
4.8 Payment Procedure	32
4.8.1 Import Financing	32
4.8.1.1 Letter of Credit (L/C) Facility	33
4.8.1.2 Loan against Import Merchandise (LIM)	33
4.8.1.3 Loan against Trust Receipt (LTR)	33
4.8.2 Rate of Exchange	33
4.9 International Trade of AIBL	33
4.9.1 Export	33
4.9.2 Import	34
4.10 Income & Expenditure of AIBL	34
4.10.1 Investment income	34
4.10.1.1 Income from other than investment	34
4.10.2 Expenditure	34
4.10.2.1 Profit paid to depositors	34
4.11 Performance of AIBL at a glance	35
4.12 Budget for 2018-2019	36
4.13 Foreign Exchange Risk of AIBL	36
4.13.1 Non Delivery of goods	36
4.13.2 Short Shipment	36
4.13.3 Inferior goods	36
4.13.4 Goods arrived but documents not	37
4.13.5 Loss or Damage to goods	37
4.13.6 F. Ex risk	37
4.13.7 Failure of the Issuing Bank to Pay/transfer Fund	37
4.13.8 Country Risk	37
4.13.9 Nonpayment of the applicant	37
4.13.10 Issuing Shipping Guarantee	37

<b>CONTENT</b>	<b>PAGE</b>
<b>Chapter 05: Findings and Recommendation</b>	38-38
5. Findings	39
5.1 Positive Findings	39
5.2 Negative Findings & Recommendations	39-40
<b>Chapter 06: Conclusion</b>	41-43
6. Conclusion	42
<b>Bibliography</b>	43



# CHAPTER: 01

# INTRODUCTORY PART



## ***1.1 Introduction***

Bangladesh is one of the largest Muslim countries in the world. The people of this country are deeply committed to living in Islamic life on the basis of the principles of the holy Qur'an and Sunnah. In this way, new horizons have been exposed and neglected in the light of the hope of a new rupee to fulfill the long dream of the people of Bangladesh for banking transactions, according to the prescribed schedule of Islam. With the active support of the Islamic Development Bank (IDB) and other Islamic banks, financial institutions and government agencies, Al-Arafah Islami Bank Limited has achieved the unique position of the new leading private commercial bank in Bangladesh, which operates banking operations, Sharia and Modern Banking.

## ***1.2 Origin of the Study***

Internship program is a pre-requisite for acquiring MBA degree. Before completion of the degree, a student must undergo the Internship program. As the classroom discussion alone cannot make a student perfect in handling the real business situation, it is an opportunity for the students to know about the real life situation through this program. Working in Al-Arafah Islami Bank Limited gave me the opportunity to gather real life experience. During my internship period my supervisor advised me to prepare report on "Foreign Exchange Risk Management of Al-Arafah Islami Bank Limited".

## ***1.3 Objectives of the Study***

### ***1.3.1 Primary Objective***

- The primary objective of this report is to familiar with the working environment of present institutions and also fulfill the requirement of MBA theoretical knowledge gains from the coursework of the MBA program in a specific field.

### ***1.3.2 Secondary Objective***

- To analyze the foreign exchange activities of AIBL.
- To identify the foreign exchange risk of AIBL.
- To recommended some measures regarding foreign exchange risk management of AIBL.

## ***1.4 Scope of the Study***

The report will mainly focus on the foreign exchange risk management of Al-Arafah Islami Bank Limited. The proposed study will cover all the relevant issues of risk management of foreign exchange department of Al-Arafah Islami Bank Limited. Moreover, the problems and proposed solutions of risk management also have been conferred in this report.



### ***1.5 Methodology of the Study***

When determining the sources of information needed for research, I used both primary and secondary data to handle my survey. In addition, I've included my own observation as a valuable and first-hand source by describing the performance and evaluation of banks.

#### ***(a) Primary data:***

I have collected basic information in interviews of employees and clients of Al Arafah Islami Bank Limited. Primary information came in consultation with the employees of the company. For this preparation I was extremely dependent on secondary data. With the exchange of views of various officials of Al-Arafah Islami Bank Limited, I have collected the primary information in the following ways:

- \* Face interview with both employee and client.
- \* By telephoning client
- \* Through the question paper made.
- \* Neutral survey desig

#### ***(b) Secondary Data:***

I mainly use secondary data to prepare this internship report. The data collected from the company's annual report over the years under our review. I've also collected some formal projects, brochures, web site papers that helped me a lot in presenting this report. After confirming the accuracy of the information, I used this information in my report.

I have used different types of secondary data in my research. Lower secondary data sources are as follows:

##### ***Internal Sources:***

- \* Bank's Annual Report.
- \* Information regarding Al Arafah Islami Bank Ltd. Bashundhara branch,

##### ***External Sources:***

- \* Brochures of Al Arafah Islami Bank Ltd. and other banks.



- \* Economic Trend: Bangladesh Bank.
- \* Rules Book.
- \* Internet Al Arafah Islami Bank Ltd, web site.

### ***1.6 Limitations***

To prepare a report on the basis of achieving practical experience in a short duration (only three months) is not easy task. In preparing this report some problems and limitations have encountered which are as follows:

- ❑ The main constraint is the study is insufficiency of current information relevant study.
- ❑ All required information's are not available in any specific branch of the bank and there are also limited opportunities to visit more than one branch.
- ❑ All information is not collected from branch due to their high security maintenances.



# **CHAPTER: 02**

## **PROFILE OF THE ORGANIZATION**



## ***2.1 Historical Background of AIBL***

Islam gives us a complete lifestyle. The main aim of Islam lifestyle is to be successful in both our mortal and immortal life. Therefore, in order to maximize our success in every aspect of our life, we should follow the principles of the Holy Qur'an of Muhammad (sm). Al-Arafah Islami Bank started its journey by introducing a modern banking system based on the proposed policy based on Al-Qur'an and Sunnah in 1995.

Here, following the guidance given by the Holy Qur'an, and later on, the path of Rashul Al-Arafah Islami Bank Limited (registered) was established on June 18, 1995 as the company of the Appraisals Limited. Place on September 27, 1955.

A group of established and dedicated personalities of Bangladesh, the bank's architects and directors. One of them is a well-known Islamic scholar, economist, writer and former bureau of Bangladesh government. J. M. Shamsul Alam Bank Founder Chairman Its progressive leadership and continuous stimulus helps the bank to gain financial strength in the bank's financial market.

A group of 26 dedicated and well-known Islamic personalities of Bangladesh are members of the Executive Council of the Bank. They are well-known for their business acumen. Al Arafah Islami Bank Limited has 128 branches.

Knowledge of the wishes of the director, Islamic banker and Almighty Allah al-Arafah Islami Bank Limited is the most modern and a leading bank in Bangladesh

## ***2.2 Objectives of AIBL***

Al-Arafah Islami Bank Limited is working with Islamic banking institutions to implement and implement Islamic financial and financial policies in the banking sector. The goal of EIBL is not only to profit, but also to the welfare and welfare of the people. The main goals of AIBL are listed below-

- ❖ Instead of banking on debt debtor's credit history, participating banks will be established.
- ❖ Invest in different modes approved under Islamic Shariah.
- ❖ Profit to accept deposits on profit sharing basis.
- ❖ W for the establishment of welfare based banking system.
- ❖ To increase the cooperation of poor poor, helpless and low-income groups for their economic development.
- ❖ Human rights play an important role in the human development and employment process.





- ❖ Operations, especially contributing to the development and development of the country through investment activities in less developed areas.
- ❖ To contribute to achieving the ultimate goal of Islamic Islamic Economy.
- ❖ Interest Management of Interest Free Banking

### ***2.3 Specific features of AIBL***

- ❖ All activities conducted in accordance with Islamic Shariah and interest-free systems.
- ❖ Their investment policies under various procedures completely sharia charges
- ❖ Brother believes in providing services dedicated to clients associated with the Islamic attitude of Brotherhood, Peace and brotherhood.
- ❖ Low Bank is committed to the establishment of a welfare-based banking system to meet the needs of low-income and least marginalized class.

### ***2.4 Financial Performance of Al- Arafah Islami Bank Ltd***

AIBL currently has only 128 branches among 32 generation banks. In a short time, EIBL has created an image as a progressive and dynamic financial institution for itself and has achieved significant fame in the banking sector of the country. Despite strict competition in the banking sector, by 31 December, AIBL has made remarkable progress in overall business performance, which contributes to integrating the bank's position. By the end of the year, the number of depositors has reached 5087989 and deposits amounted to 18.18, 186.98 million. The total number of investors was 107,177 and the total investment amount was 177,714.95 million.

The bank has acquired Tech 50, 332.59 million in 2018 and the ticket cost 13, 2005.81 million. Before the end of the year, the amount of profit was Tk 1,422.26.78 million.

### ***2.5 Mission of AIBL***

- ❖ Here, both here and later, to achieve Allah Almighty satisfaction.
- ❖ Sharia-based banking system expansion
- ❖ Financial Financial Services Accepting Financial Technologies
- ❖ Fast and efficient customer service.
- ❖ Business maintains high standards of ethics.
- ❖ Balance increase.



- ❖ Share study and shareholders' equity competitive return.
- ❖ Competitive innovative banking at a competitive price.
- ❖ Attract and maintain interesting human resources.
- ❖ Economy raises the commitment to increase the national economy.
- ❖ Mic micro and SME funding more involved

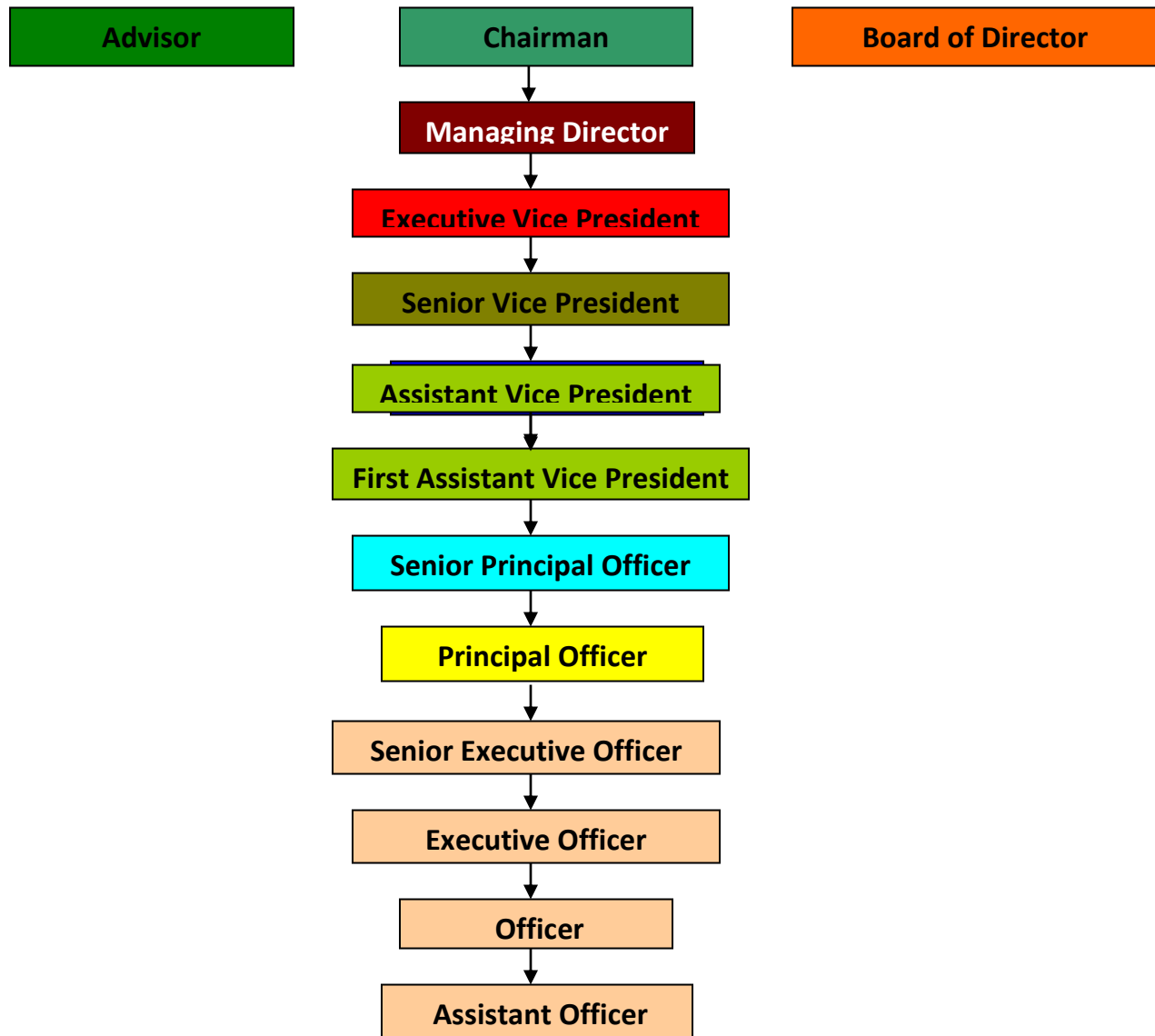
## ***2.6 Vision of AIBL***

- ❖ To ensure justice and equity in the economy, as well as to work based on Islamic principles of trading.
- ❖ Keep a significant contribution to the advancement of Islamic banking in Bangladesh and to improve the national economy.
- ❖ Improve banker customer relationship by improving Customer customer service.
- ❖ Develop technology and technology and policies and policies now to develop and innovate products / services.

### ***Distribution of Branches:***

Division	No. of Branches
Dhaka Division	65
Chittagong Zone	25
Khulna Zone	27
Sylhet Zone	11
Cumilla Zone	13
Bogra Zone	13
Total	154

### 2.7 Organogram of Al-Arafah Islami Bank Ltd





# CHAPTER: 03

## THEORETICAL ASPECT



### **3.1 Foreign Trade**

The products are international quality conversion, input and technology which promotes welfare in two ways, it is essential. It exceeds national boundaries to ensure a wide range of output market and good prices through export. Through import, it provides products, inputs and technologies available that are not available or only available at high prices which accept consumers' high level of satisfaction.

### **3.2 Foreign Exchange Risk**

Different types of risk products are involved in trade. These risks will affect some internal trade, although they are usually amplified in international trade. The most common trading risks include risks related to risks, money-related risks, risks of documentation, economic risks, risks of foreign currency, interest rates and value risks, crime and money laundering risk, buyer's bankruptcy / credit risk, buyer's acceptability risk, knowledge insufficiency, Seller's performance risk, country risk, cultural risk, legal risk Common foreign exchange risks are:

#### **3.2.1 Late payment**

In LC operations, trading banks were found to be a common practice by providing transaction services. Even after accepting relevant papers under LCs, payments are delayed, which not only damage the institutional reputation but also damage the image of Bangladesh. The applicants request the banks to temporarily postpone the suspension notice to suspend the losses such as the goods did not arrive or the product was of low quality. In some cases banks cooperate with them, which will increase the confirmation charge from the LCs issued from Bangladesh. This practice creates a considerable risk for the country as well as a hostile risk to the opponent.

#### **3.2.2 Rejection of document**

In the context of Bangladesh, there are some examples where banks simply reject documents for rejection and charge their differences for foreign opponents. This clear departure from the UCP morality. Such practices can only make buyers expensive and compromise, accelerate economic and other related risks. With the sudden reduction in global prices, these practices in Bangladesh are compulsory loans, rescheduling and unregulated liability in Bangladesh, to the funded liabilities in Bangladesh. In some circumstances, banks delay the payment to protect their interests, which are unreasonable under the UCP rule. It creates both risk of credit risk / default risk and liquidity for banks



### **3.2.3 Charge Creation from legal risk and non-compliance risk**

To make payments under local back-to-back lcs (payment agency), two options of bank such as nostro account (using MT2b fast) or they can use FC clearing account operated with the Bangladesh Bank. Many banks are using foreign services because the payments are affected by the no-account accounts operated with them, which can result in the charges being exempted from the FC from Bangladesh, which can only deal with representatives of agents. It increases the risk of legal risk and non-compliance risks in the form of charges.

### **3.2.4 Issuance of Guarantee**

Bangladesh's banking industry, some commercial instruments like LC or Guarantee are used for fraudulent or immoral methods. Under the Local LCs, accommodation bills (payment without a genuine consignment) are related to the risks associated with shipment, which is the risk of supply of goods. Local banks in Bangladesh migrate for most of the transfers and transferable LCs, with the approval of Master LCs, which increases the scope of fraudulent practices and fraud

### **3.2.5 Opening LCs without supplier credit Report**

According to BB guidelines in the Foreign Exchange transaction (GFEET-2009) banks were forced to send confidential reports on opening of an LC on foreign exporters, against the intentions issued by local agents and providers issued by the local agents, respectively, in excess of \$ 10,000 and \$ 20,000. Without credit reports, banks are giving LC without credit reports, only serious violations of GEFET and of course increase the risk for both the bank and the importers.

### **3.2.6 Provide facility to clients bypassing the regulatory framework**

In order to maintain clients in this competitive market, some banks (in some cases) sometimes maintain regulatory framework as well as unreasonable risks, e.g. financing of exporters' ads by opening LC (180 days postponed) on open account trade without the default or payment of foreign buyers. Notable, linked edits are supporting transports documents (product titles) directly to foreign buyers, it can be very risky.

### **3.2.7 Insurance Risk**

Insurance coverage is supposed to be proposed by Bangladesh importer. At the time of opening the LC, banks are supposed to guarantee at least 110 percent of the importer of insurance coverage. However, opening of LC by ensuring only 100 percent of some bank imports. Therefore, the violation of Bangladesh Bank rules is very clear.



### **3.2.8 Import of restricted items by certain conditions**

Certain conditions are included in addition to documents for import of limited items for the approval of the banks issuing the appropriate authority. In general, documents are called for but the conditions are not included, the risks of documentation are disclosed to the banks.

### **3.2.9 Pre-Payment Risk**

Some banks make payments according to the needs of LCs but the product never comes and the banks are in trouble. Examples of the visually impaired LC are issued with the TT transcript section through local banks.

### **3.3 Foreign Exchange Risk Management**

It may be challenging to supply and supply goods in international trade and it is risky for business partners. By using the right risk and credit terms and payment instruments, these risks can be reduced or reduced, which enables exporters and importers to manage their risk risk exposure. Now the risks of international banking activities are mostly related to trade payments and financial activities. It is not different in Bangladesh. In most cases, the risks are expressed in regards to the control or compliance with the guidelines. In Bangladesh, commercial services are usually provided by the Bank's 'Trade Service Department'. Broadly, the trade services products in Bangladesh include commodity payments and trade related products or services. International trade exporters and importers express a lot of risk. In order to reduce these risks, companies can buy special trade finance products from banks. The following are the main ways to reduce trade risk in banks:

#### **3.3.1 Minimizing risks through precautionary measures**

Importers and exporters can take precautions to raise some commercial risks, where banks can play an important role. For example, to avoid quality issues before they are raised, the importers should research the quality of the products and check the general reputation of the vendors before ordering them.

#### **3.3.2 Negotiating the right type of payment and credit terms**

How and when the payment will be made, it will be determined how the counterparty risk is delivered between the exporter and the importer. In this sense, the use of optimal payments and credit terms or the risk of reducing payment instruments is an important factor in managing the risks of the business in the trade.



### **3.3.3 Introduction of modern communication and service rendering devices in foreign exchange department**

Should be introduced in modern IT devices in different aspects of import financing, to increase the overall efficiency of the services. Debt management, credit letter formation and credit bills in the negotiation banks are in areas where modern IT devices should be specifically employed in banks where there is room for improvement.

### **3.3.4 Developing hearty banking relationship with foreign banks in important parts of business world**

To conduct fair trade and trade fairly, it is necessary to develop a healthy relationship with foreign banks which can act as a compromise for banks 'creditors' correspondence. This relationship can facilitate the import operation prompt handling along with the payment direction of the building.

### **3.3.5 Strict adherence to Bangladesh Bank guidelines in processing import financing**

In order to avoid future problems in the management of import funds, the foreign currency department of the bank must follow the BB guidelines. Bank officials concerned with foreign currency must be in close contact with these rules and application assessment for credit card. All points must be highly valued and tested wisely. It can help to protect the national interest





# CHAPTER: 04

## PROJECT PART



#### ***4.1 Foreign exchange department***

Foreign currency can easily be defined as the process of transformation in other currencies. In general, "foreign exchange" means foreign exchange, which refers to the exchange rate of the foreign exchange unit value in terms of other currencies. But in its entire sense, foreign currency means process or media is used and this media has exchange rates with others.

Foreign Currency Division of Al-Arafah Islami Bank Limited is the most important among all divisions. This division is divided into two parts, the first is the import department and the second part of the export department.

#### ***4.2 Import Procedure***

A person should be able to be an "importer" to import. According to the Import and Export Regulatory Act 1950, the Import and Export of the Chief Office of the Importers (Registration of Registration) by the Registrar (IRC) after receiving this person, a letter of credit approval from the Bangladesh Bank has been secured. And then a person became a qualified importer. He is the person who requests or directs to open an L / C. He is called the opening or creditor of the credit.

##### ***4.2.1 Importer's Application for L/C Limit Margin***

There is an imported L / C limit, an importer submits an application in the Al-Arafah Islami Bank Limited section providing the following information:

- a. Full details of bank account.
- b. Business nature.
- c. Limit required amount.
- d. Terms of payment.
- e. Imported products.
- f. Provide protection.
- g. Repayment schedule.

Now, if the officer thinks the application does not fit any L / C, then the following is done to understand the L / C, charge, postage and L / C margin.



#### ***4.2.2 Salient Features of a Letter of Credit***

In light of UCPDC's rules, the main features of the letter of credit are briefly described below.

Operative Instrument: (a) Airmail, or (b) A letter of credit can be issued by telecommunications (Telex / Cable). When established by Airmail, the standard format of the bank (security paper) is signed with the relevant details, signed by the authorized signer of the bank and sent to the consulting bank. Where credit letters are issued by telecommunication, the full details of the credit are limited / durable to the consulting bank. The contact provider is proven by the relevant examination code between the banks and the consulting bank.

Credit Instructions: The instruments for payment of credit, the credit itself, the amendment guidelines and the amendment itself must be completely and specific. Banks will discourage any effort to guard against misunderstandings and misunderstandings:

- To include too much details on the credit or any correction.
- Instructions to advise, suggest, or confirm a credit, through reference to any credit issued, where this credit is subject to acceptable / unrecognized amendment [Article 5 (a)].

Expiry date: Each credit will indicate two dates, the shipment date and the end date of the discussion. The last date of invoice should be to send the product to the importer country before or before the date indicated. Generally, the recipient is allowed to prepare other documents (such as invoices) for more time.

Value and amount of quantity: The amount of credit can be dragged under credit by credit, the total export items will be exported. Unit prices can be indicated. The credit should not exceed the amount mentioned in the amount and quantity. UCP has approved certain tolerance limit.

Tendred Document Documents: The credit application clearly specifies the number of documents and copies of each document required.

Exchange of exchange: It refers to the exporter from the exporter to the importer that the amount of money it has been sent to the bank through which he will send the document.

- Transportation documents: Where the goods are sent by sea transport, the invoice authentication documents are lulling bills; If the products are vertical then a ventilation bill is obtained. Recent additions are transportation documents involving multiple modes of transportation.
- Marine insurance policy: It provides cover against sea hazards and other associated risks, which are open to products.
- Invoice: A commercial sale is a proof of sale, there is a detailed description of the products sold.



• Other documents: The certification of production refers to the country's exported or manufactured goods. Weight Certification Certified Weight of Export Products. The product descriptions that each specific packing list contains. Quality certificates may be required to ensure the export quality of products.

□ Shipping: Credit will be indicated when partial invoice and transshipment are approved. Partial invoice refers to sending goods to multiple installments. Transshipment refers to the use of multiple vessels to transport goods. Credit is allowed in both the partial shipment and transshipment in the absence of specific indication.

□ Nominated bank instructions: It indicates that the consulting bank indicates whether it will proceed without adding to its confirmation or without confirmation. It refers to the paying bank under credit, if any. Finally, it was signed by two authorized officials of the bank, whose signature is available with the consulting bank.

#### ***4.2.3 Parties Involved in a Letter of Credit***

The parties involved in a credit operation are:

- (a) Applicant (Importer)
- (b) Beneficiary (Exporter)
- (c) Issuing Bank (Opening Bank)
- (d) Nominated Bank (Intermediary Bank) which may be:
  - i. Advising Bank
  - ii. Confirming Bank
  - iii. Negotiating Bank
  - iv. Accepting Bank
  - v. Paying Bank

#### ***4.2.4 Documents Used in Foreign Trade***

The following documents are needed in foreign trade in general:



#### ***4.2.4.1 Bill of exchange***

The importer directs the importer or importer to the amount mentioned in the bank by a bill exporter (drawer). Exchange of a bill is a negotiating instrument and is governed by Negotiable Instruments Act. The credit may be drawn by the bank issuing bank or other drawer bank under a letter but not the importer. If the credit is still offered to the applicant, but the bank will consider these types of bills as additional documents. Various types of bills are:

#### ***4.2.4.2 D/A and D/P bills***

An expense bill may be in D / A or D / P terms. If it is a D / A post (document against acceptance), then the collecting bank has to provide the documents for acceptance of the bill. Payments will be made through drawers on the date of payment of the bill. From the date of acceptance of the payment date, the bank remains unsecured for the time being. If it is a D / P bill (documents against payment), the documents will be provided in payment only, unless they are maintained by the bank. Therefore, until the payment is received, keep the control of the goods on the banks.

#### ***4.2.4.3 Inland and foreign bills***

Any bill of Bangladesh is accepted in Bangladesh and there is no internal bill payable or payable on a resident in Bangladesh. Therefore, an internal bill must meet both conditions that (i) it is drawn to Bangladesh and (ii) whether it is payable in Bangladesh or a person resident in Bangladesh (even if paid abroad). Any foreign bill of any bill without fulfilling the conditions In this way, any bill outside Bangladesh is a bill payable in any place outside of Bangladesh and a bill drawn on a place outside Bangladesh but foreign bill

#### ***4.2.4.4 Marine Insurance Policy***

During the journey or shipment, the damage or damage to the goods will affect one or more of the parties involved in the transaction, such as importer, exporter, shipping company and bank, which provides payments against products supplied by the company. Marine insurance supplies the desired cover for loss or damage to the product during the transaction. It absorbs the free flow of international relations to an important uncertainty associated with it. Marine insurance ships (hole insurance) or products (cargo insurance) may be covered. The consideration for a marine insurance contract is 'premium'. Insurance may be due to partial loss or total loss



#### **4.2.4.5 Invoices**

Various types of invoices are required in L/C. Brief descriptions of those invoices are given below:

#### **4.2.4.6 Commercial Invoice**

- A commercial invoice containing a full description of the shipped product of the statement. The general content of a commercial invoice used in foreign trade is:
  - Seller and buyer name and address.
  - Products are sold - quantity, quality, description and standard.
  - Packing details and packing marks.
  - Price and quantity paid by the buyer.
  - Trade terms - FOB, CFR or CIF etc.
  - Freight charges, insurance premiums and details of other chargers.
  - Supply contracts contract which is completed.
  - The name of the product that has been sent to Vass
  - Referring to the License that has been import.

#### **4.2.4.7 Performa Invoice**

A Performa Run contains all the details in a commercial invoice. It is separated from the commercial invoice by the term 'run the preformed' displayed. It's not a sales proof. The operator may need to run the following cases:

- It may be the basis after which the sale agreement ends.

Cons When a product is sent on a consignment basis, a profit invoice can be used to send the product only to the vendor's agent; It acts as a guide for the value of the product that the agent sells.

- It can be used to support a sales contract in a tender.

#### **4.2.4.8 Certificates and Other Documents**

In addition to the above mentioned documents, there are other certificates and documents required for the credit card. These are



#### ***4.2.4.9 Certificate of Origin***

Origin certification declares place of actual production or product growth. A country can restrict restrictions on import from a particular country or provide professional treatment for import from some countries. For both purposes, the certificate of origin became necessary. Usually this type of certificate is issued by the trade chamber of commerce or trade associations in the export country.

#### ***4.2.4.10 Packing list***

The listing will contain product descriptions containing separate packages. It helps to identify the contents of a particular package and thus simplifies the evaluation of customs.

#### ***4.2.4.11. Quality or Inspection Certificate***

It can be issued by the supplier or an independent inspection agency that the products were tested and available as required under the contract of sale.

#### ***4.2.4.12 Transport Documents***

Some credit documents in the credit card are briefly described below:

#### ***4.2.4.13 Bill of Lading***

International trade shipping occupy an important position as a mode of transport. Proof of goods transport by sea is 'Lulling Bill'. The transaction bill is a document issued by the shipping company or its agent, which recognizes the receipt of the vehicle, which is provided to the recipient or to the employer on the same terms.

If the deal between the seller and the buyer is on the basis of the FOB then the freight is payable by the importer. In this case, the transaction bill will be traded for 'payment freight' or 'terrible collection' bill, which is freight payable on the destination by the freight. If the sale agreement is in the CIF and CFR, the freight and then the exporter will have to pay advance freight in the price quoted price. In this case, a 'freight pay' bill of transaction bill transaction will be made



#### ***4.2.4.14 Presentation of the Documents***

The seller is satisfied with the terms and conditions of the buyer and the credit terms to send the necessary goods, and then present the proven documents sent to the negotiation bank. After receiving all documents, the discussion checks documents against the bank credit. If banks pay and accept it, then Al-Arafah Islami Bank Limited is examined with documents and the documents are as follows:

Run 1.

Lilling bill 2

3 Deposit Certificate.

4 packing list.

5 weight list.

6 Shipping Tips

7 Unauthorized copies of transaction bill.

Exchange bill 8

9 Pre-shipment inspection report.

10 Shipment Certificates.

The following documents are required when opening a new L / C

1 valid import registration certificate (IRC).

2 Trade license.

3 TIN certificate.

4 VAT certificates.

5 Three (3) Transcript declared by the importer that they returned / submitted advance tax in advance in the previous year.

Chamber of Commerce Industry's Membership Certificate 6.

7 According to the maintenance with the bank.

8 Membership Certificate BGMEA (Garment Indi.)

9 Banded Warehouse Licenses (Export-Based Industry Events)

10 from LCA

11 insurance cover notes.

12 Proforma Run / Indent

13 Eligible for opening and signing the L / C.

14 IMP form properly signed.





15 Companies Memorandum and Articles

16 Inclusion Certificate with JSSC.

17 Board of Directors of the Board.

18 introductory resolution.

19 Resolution of the Board of Directors.

20 secret reports will be obtained from their previous bank.

21 reports / inquiry will be received from the CIB.

22 Credit reports will be obtained from the adult bank, the internationally accepted agency provider's underlying

24 LLAs will be made for the bigger cases.

### ***4.3 Export Procedure***

#### ***4.3.1 Entering into an Export contract***

To avoid disputes, must enter into an export agreement with a foreign buyer. For this purpose, it should include all relevant and important terms of the trade agreement on a broad but detailed basis of the export agreement.

There should be no ambiguity about the accuracy of the products and the terms and conditions of the sale of export prices, payment modes, storage and distribution methods, packaging types, shipment ports, delivery schedules etc. Various aspects of the export agreement are as follows:

- Products, standards and specifications
- Quantity
- Inspection
- Contract Total Value
- Distribution rules
- Taxes, duties and charges
- Delivery / Shipment Period
- Packing, labeling and marking
- Payment terms - amount / mode and currency
- Discount and commission
- License and permit
- Insurance
- Documentary requirements



### ***4.3.2 Export Pricing and Costing***

The export price should be different from the export cost. Price is what we offer customer Price We pay / price for the product. The price includes our profit margin, the cost includes only the costs that we have spent. The most important tool for selling export prices and facing international competition The price has been practically worked out considering all export facilities and costs. However, there are no specific sources for successful export prices. Exporters can be different from exporters, depending on whether exporters are exported by exporters or manufacturers exporters or acquiring agencies. You should expect to evaluate your competitor's strengths and rival move in the market. The evaluation strategy will depend on the situation in different situations. You can still be competitive with high prices but with better delivery packages or other advantages.

### ***4.3.3 Formalities and Procedure***

- 1 Export Receipt L / C: Obtain export L / C form export issued by the importer.
  2. Submit the export documents: After supplying the product to the exporter, all documents required to be collected by the collecting bank.
  - 3 Checking the export documents: The documents are verified by the banker to verify the documents according to the lock / C terms.
  - 4 Discussion of export documents: If the bank accepts the document and issues the draft to the exporter and forwarded the documents to provide bank called a compromise bank. If the bank does not buy L / C, the bank generally acts as a collecting bank.
- Understanding the 5 income: This time the issuing bank has realized the payment.
- 6 Report to Bangladesh Bank: According to the instructions of Bangladesh Bank, the bank has to report the latest payment to the respective division of Bangladesh Bank.
  - 7 Progress Implementation Certificate (PRC) Issue: To get cash assistant to the bank, the supplier / exporter will have to issue the export certificate of export L / C.

### ***4.3.4 Papers Requirement for new Export***

- 1) Export Implementation Certificate (ERC).
- 2) Trade license.
- 3) Membership Certificate Form Chamber / EPB
- 4) Keep the account with the bank.
- 5) Export L / C Contract
- 6) XP form can be certified.



- 7) TIN certificate.
- 8) VAT certificate.
- 9) Memorandum and company association articles.
- 10) Confident Credit Report will be the importer.
- 11) Registered Partnership Document for Partnership Concern.

#### ***4.3.5 Shipments Documents***

- a. XP form.
- b. Photocopy of the registration certificate.
- c. Photocopy of the contract.
- d. Photocopy of 4 / Li
- e. Customs copy of ERP form for running jute products and EPC from jute jute.
- f. In order to deliver freight on transaction port, the freight certificate from the bank is involved.
- g. railway receipts, barrage receipts or truck receipts
- h. Shipping instructions.
- i. Insurance policies

#### ***4.3.6 Export Department***

- 1 Exporters Registration Process.
- 2 books and registration / laser needs for export.
- 3 Export L / C checking and consulting.
- 4 formulas for opening back-to-back L / C
- 5 Back-to-back L / C Accounting.
- 6 BB Checking / loading of bills.
- 7 Acceptance mechanisms.
- 8 Pre-run Financing.
- 9 Checking and discussion / collection bases of export documents.
- 10 Shire offer count for 10 fund distribution systems.
- 11 Income Recovery Corporation.



- 12 Formulas of back-to-back payment system
- 13 Option Benefit Implementation / Collection System
- 14 XP from Bangladesh Bank Report
- 15 Expedition Form Disposal
- 16 Disputes and export claims settlement.

#### ***4.3.7 Preparation of Exports Documents***

1. Exchange or draft bill
2. Lilling bill
3. Run
4. Insurance policies / certificates.
5. Key certificate.
6. Inspection certificates.
7. Run the consular.
8. Packing list.
9. Quality control certificate.
10. GSP certificates.

#### ***4.3.8 Export Financing***

- A) Export Cash Credit (ECC).
- B) Packing Credit (PC)
- C) Back-to-back credit facility (BTB).
- D) Foreign Documentary Bills Purchase (FDBP)

#### ***4.3.9 Advising a L/C***

A consulting bank recommends credit to the seller through a traditional bank. Counseling through banks is a proof of proving the credibility of the beneficiary to the beneficiary. Prior to credit forwarding / advising the seller under appropriate forwarding coverage, the bank should verify the signature of the opening bank officer in the advisory bank and ensure that the terms of the credit are not in violation of existing exchange control regulation and others. Often banks receive requests to ban the facility to add their confirmation to the facilitator. If the advisor and the issuing bank have pre-arranged arrangements



or advice, then a consulting firm can find out if it is a promising organization and a good advisor. It is also seen that sometimes banks receive credit from them, containing the beneficiary names in the credit body. In this case the consulting bank creates new credits for the original credit and the signature of the signature and the credit card holder.

#### ***4.3.10 Amendment of L/C***

Buyers and dealers fulfill the terms and conditions of mutual credit before opening the same and the parties involved are expected to comply with the permanent terms and conditions for conducting their respective operations in credit management. But the actual conditions involved in an L / C, especially the vendors and buyers, are always clear and genuinely due to the conditions and conditions of settlement, the terms and conditions can not be completely filled. The goal of establishing a credit can be frustrating. So credit should be corrected to avoid these situations. In the case of revocable credit, it can be amended or canceled from the issuing bank at any time and without prior notice to the beneficiary. But the bank issuing the case of the issuing bank (if any) and the beneficiary. Partial recognition of the amendment is not effective without the consent of the parties mentioned above. If any other bank service issues a credit to the beneficiary to a bank, it also needs to be completely and precise, using any of the same bank services. If given incomplete or incomplete instructions for credit correction, the applicant will be given initial notice to the beneficiary to work on the instructions of the bank.

#### ***4.3.11 Back to Back Letter of Credit***

A new credit to a back-to-back credit card This is different from the original credit, on the basis that the bank risks under back-to-back credit. In this case, the main credit of the bank's principal bailout / protection. The main credit and the back-to-back credit (buying credit) are different from each other and are not legally connected, although they are both part of the same business activity. Supplier (Back-to-back Credit Recipient) supplies products to the importer and provides products to the exporter and presents specific documents as credit to the bank. This means that the exporter will replace the products to its documents and ship importer and will withdraw the current documents for discussion under the original credit, but its liabilities under the money back to its refund will be adjusted from this income. The exported L / C mark is available and no margin is taken.



#### ***4.3.12 Processing and Opening of Back-to-Back Letter of Credit***

An exporter wanted an imported L / C limitation under back-to-back management. In this case the following documents and documents are required:

- 1 Full details of bank account.
  - 2 balance sheet.
  - 3 Resources and Accountability statements.
  - 4 Trade license.
  - 5 valid bond warehouse license
  - 6 membership certificates.
  - 7 declaration of income tax.
  - 8 article memorabilia.
  - 9 partnership agreement
  - 10 resolution.
- Pictures of 11 Directors.

The back-to-back letter of the credit opening section on receipt of the above documents and papers will prepare a credit report. The branch must have been back behind and received approval from Head Office for C.

Credit back-to-back credit is open without the head office concerns due to the valuable clients of the bank. In that case an officer of the Foreign Exchange Department will send a post to the head office for the back-to-back letter of credit opening

#### ***4.3.13 Export Cash Credit (ECC)***

Export cash credit products and services extended to companies involved in the export. Export cash credit is provided for raw materials, packing lists, wages, salaries, utilities etc. The amount of exported cash credit is usually 75% of L / C export.

Packing credit (pc)

PACKING CREDIT (Piece): Export-oriented industries are usually allowed to spend money on utility, salaries, wages, etc. for the garment industry. The amount of packing credit is usually 10% to 155% of the value of L / C.

Back to Back Credit Facility (BTB)



Export-based credit facility (BTB) is usually issued to import raw materials of garment export-based industries. Back-to-back credit (BTB) primary security export L / C generally back-to-back credit (BTB) Law / C amount 75% Master L / C standard

#### ***4.4. Parties Involves in International Trade***

- A) Import / buyer / applicant
- B) Export / Seller / Supplier
- C) Issue of bank / operating bank
- D) Consultant Banks / Notification Banks
- E) Bank confirmation.
- F) Discuss with the bank.
- G) Banks / payment reimbursement banks

To import goods and services, the buyer comes to the bank to open credit card (L / C) through its branches and overseas.

Importer: The person requesting to open the L / C to the issuing bank.

Exporter: L / C is founded on behalf of the team.

Issuing Bank: Issue L / C Issue Bank

Advisive Bank: Bank has advised L / C.

Confirmation Bank: The bank, which adds credit confirmation.

Discussion Bill: Bill, which discusses the bill.

#### ***4.5 Nature of Business***

The bank is taking care of commercial, corporate, investment banking related services related to banking:

- Corporate Finance
- Letters of Banking
- Documentary credits
- Foreign transaction
- Syndicated Money
- Other related businesses



AIBL Bank Ltd. Its products are Islamic. AIBL (Al-Arafah Islami Bank Limited) provides general banking facility to their customers, ensuring their money security and ensuring a fair and smart return on their money. Banks follow the following ways that customers collect their deposits:

The Awami League's current tenure

B. Murarba Subscription Deposit

C. Murarba Short Time Deposit

D. Mudarbaba's Term Deposit

E. Murrah Sandry Deposit

Md. Plans under Murarabi plan

Yes. Bimayazjal SPL Deposit (CCA)

H. Foreign Corporation Deposits

IBB Margalese Depositi 8 (CCA)

J. Murawa Deposit (CCP)

#### ***4.6 Modes of Investment in AIBL***

##### ***4.6.1 Bai-Murabaha***

Bari-Murrah can be defined as a contract between a buyer and seller, under which the seller sells certain products (approved under Islamic Shariah and Land Laws) to cash a buyer or a fixed future date in single or installment The profit can be fixed in one hour or the percentage of the price of the product.

##### ***4.6.2 Mudaraba***

Bari-Murrah can be defined as a contract between a buyer and seller, under which the seller sells certain products (approved under Islamic Shariah and Land Laws) to cash a buyer or a fixed future date in single or installment The profit can be fixed in one hour or the percentage of the price of the product.

##### ***4.6.3 Musharaka***

Musharq is derived from the Arabic word shariqah. That means sharing This is a joint venture capital which is a partnership between two or more groups. The profit is to be dividends in a known and fixed percentage. All stakeholders including banks have the right to participate in the management.





#### ***4.6.4 Bai-Muajjal***

An agreement that allows the seller to pay a commodity price to the buyer at a price or installment (which may be more than spot value), which is a profit credit sale. Bai-mujjal utilizes industry and agricultural financing requirements.

#### ***4.6.5 Bai- Salam***

Bail-Salam is a contract that the buyer provides the agreed value of the advance product and provides the customer with the product at a specific future price. This is a useful process for agricultural products and industrial products.

### ***4.7 Exchange Instrument***

#### **4.7.1 Cheque**

A check by a signatory indicating that a check is made to a certain recipient of the specified amount. Check is a negotiating instrument which can be transferred to another party by authorization.

There is a check on three sides:

1. Issue of manufacturer or drawer check
2. Banks or filters which are drawn in check.
3. The checker payment is inaccessible.

#### **4.7.2 Negotiable Instrument**

Specific types of documents used for commercial transactions and financial transactions are called negotiating instruments. Disputed money is transferable and transferable by Instrument means a written document that creates a right for some people. The word literally means "a document transferred by delivery" literally means that the word is widely used in the English trade law. In this way, a controversial device can "transfer the contract or agreement" through the simple supply of contract, when the real owner can transfer it.

##### **4.7.2.1 Promissory note**

In writing a promissory note, an instrument (not a bank note or currency note) that holds a certified certificate signed by the manufacturer, to pay a certain amount of money for the purpose of the person or to carry the machine.



#### **4.7.2.2 Bill of exchange**

The exchange bill is a conditional condition under a written instruction that directs a certain person to pay the sum of the specific person or the specific person's order or partner of the instrument..

#### **4.7.3 Accommodation Bills**

A housing bill has been signed by a person who has been signed as a drawer, adopter or a sanctionor, a person is signed without any consideration to the other person to provide funds to him.

#### **4.7.4 Fictitious Bills**

When a drawer's name or recipient or both are fantastic or not, a bill is called an imaginary bill. A fictitious bill payable for drawer orders and a genuine person is accepted by a holder in the right hands by a holder.

#### **4.7.5 Documentary bill**

There is a documentary bill that is attached to documents like billions of titles. Bills are accepted or paid, title documents are handed out. This is the usual practice of foreign trade transactions.

#### **4.8 Payment Procedure**

This is the most sensitive work of import division. The officials will be very careful when making payments. This work constitutes the following:

- \* Payment date: Usually payment is made within seven days of receipt of the document. Once the payment is delayed, the compromise can claim interest for a delay in the bank.
- \* Preparation of sales memo: A sales memo is made at the currency rate to the customer. TT and ODD rates are given in the International Department (ID). Difference between these two rates in exchange trading. Finally, the Inter International Exchange Trading Credit Advice was sent to the International Division (ID).
- \* Foreign Currency Requests: A request is sent to the international department for arranging necessary funding for payments.
- \* TEXTLEX TRANSMISSION: A Telekom representative is sent to Bangkok to ensure payment is made.

##### **4.8.1 Import Financing**

- A) Credit letter (L / C) facility
- B) Debt against import merchandise (LIM)
- C) Debt against Trust Receipt (LTR)



#### **4.8.1.1 Letter of Credit (L/C) Facility**

Banks on behalf of the Importers' Issue L / C. L / C is issued to import and market the products for the production process.

#### **4.8.1.2 Loan against Import Merchandise (LIM)**

The import of import-money (LIM) against imports of goods is imported, which is imposed on the importers to end the shipping document against import imports. It is usually paid within 30 days.

#### **4.8.1.3 Loan against Trust Receipt (LTR)**

Posting of import money to increase the credit product importer against Trust Receipt (LTR). The issuing bank issues a trust receipt to the bank and receives possession of the goods market and sells the goods during the specified period.

#### **4.8.2 Rate of Exchange**

This is the value of a currency, expressed in terms of another currency. The exchange rate is the rate of the relation between different foreign currency in terms of the local currency of that country. Price which can be converted into another currency in a country's currency.

### **4.9 International Trade of AIBL**

AIBL is quite active in conducting International trade activities through financing of Import, Export and foreign remittances business. It has at present a network of 154 Branches.

#### **4.9.1 Export**

In 2011, export earnings were \$ 22,924 million, which increased 41.5 percent in the last fiscal year. Exports earn 23.5 percent of US \$ 18,500 million target, driven by ready-made garments and jute and jute goods. In the fourth quarter of 2011, the country registered a 43.9% increase compared to the same margin of 2011-11 and earned US \$ 6717 million. Among the major export items, nightwear products are 9, 482 million US dollars, knitwear 8,424 million US dollars, home textiles 789 million US dollars, jute and jute goods 1,115 million US dollars, and ocean liner 40 million US dollars In addition to the increase in exports, assistance is provided to prevent the EU's liability from January 1, 2018, and the rules of origin against the developed countries for the least developed countries, under the Generalized System of Preferences (GSP). Bangladesh has also performed better in this relatively new market than Japan, South Africa, Australia, Canada, New Zealand and some Latin American countries



#### ***4.9.2 Import***

In the 2011-2011 fiscal year, the amount of imports increased by US \$ 9,919 million or 41.8 percent US \$ 33,657 million US \$ 23,738 million. In the financial year 2011-2013, the amount of imports for imports of imports, cash and EPZs was 32,133 million US dollars, imports under \$ 46 million, and 32 million US dollars under direct investment, and BPC US \$ 1,348 million short-term loans. Transaction Transactions (LC) in the 2011-2013 fiscal year stands at US \$ 8,899 million or US \$ 31,952 million in 38.6 percent US dollars in the financial year 2011-2013. Due to overall imports, imports mainly due to high import of cereals, especially rice and wheat. Importers have been encouraged to open LCs to import food grains to ensure country's food security. Foreign currency support is provided to the commercial banks for import of food grains. Import of petroleum products, industrial raw materials and other essential items including capital equipment, also increased significantly during the period.

#### ***4.10 Income & Expenditure of AIBL***

##### ***4.10.1 Investment income***

The investment income was Tk. 9,481.01 million during the year 2018 which registered a growth of 120.15% over the previous year. Investment income is 83.66% of the total income of Tk. 11,332.59 million.

##### ***4.10.1.1 Income from other than investment***

The bank has earned money. Current income is Tk 1,851.58 million from sources other than investment in income, exchange income, locker rent etc., which is 16.34% of gross income. This increases the growth (45.20%) by 2017.

##### ***4.10.2 Expenditure***

##### ***4.10.2.1 Profit paid to depositors***

The Bank has paid the depositors Tk. 5,466.12 million which is 57.65% of the investment income and 78.02% of the total expenditure for the year 2018. It indicates 74.43% growth over the year 2017.



#### **4.11 Performance of AIBL at a glance**

According to the condition of the shareholders report

Ten percent (10%) or more voting shareholders in the company on December 31, 2012: Neil

Investments increased by 111.46% compared to last year, due to the increase in the investment amount of 1,8,850.85 million and additional plans for the year 2018. On the other hand, the amount of deposits and debt increased by 76.90%, compared to the previous year the amount of deposits and loans increased. 28,353.84 million in the year

Net profit after tax of 2018 year 2018 decreased 7.70% compared to the previous year: -

i) In the year 2007 the bank earned 503.24 million additional general income from the sale of DSE and CSE licenses but there was no additional general income by 2018.

ii) Additional general income from the profit of sale of DSE and CSE licenses earning 15%. As a result, after the taxable profit is added, the total profit is significantly added, but there is no such facility in 2018.

<b>Particular</b>	<b>2018</b>	<b>2017</b>	<b>Growth %</b>
Investment income	8,974.09	4,243.93	111.46%
Profit paid to depositors	5,543.45	3,133.69	76.90%
Net Investment Income	3,430.64	1,110.24	209.00%
Commission, Exchange & Brokerage and other Income	1,693.32	2,875.71	(41.12%)
Income from extra ordinary item (Gain on Sale of DSE & CSE License) -		503.24	(100.00%)
Total Operating Income	5,123.96	4,489.19	14.14%
Total Operating Expense	1,468.75	1,328.55	10.55%
Profit before Tax and provision	3,655.21	3,160.64	15.65%
Provision on Investment and others	363.47	370.80	(1.98%)
Profit Before Tax	3,291.74	2,789.84	17.99%
Provision for Taxation	1,519.68	869.94	74.69%
Net Profit after Tax	1,772.06	1,919.90	(7.70%)
EPS	3.01	3.26	(7.67%)



#### **4.12 Budget for 2018-2019**

The total expenditure of the fiscal year 2011-12 is 1,635.89 billion (25.8 percent increase in the last fiscal year) and out of this, Tk 460 crore ADP (28.2 percent more than last year's revised ADP) In the revised budget of 2012, revenue income increased 24.4 percent to 24.48 crore 55 lakh. Total expenditure targets 18.2 percent and total revenue targets are 13.2 percent of GDP. To increase the 7.0 percent GDP growth in fiscal year 2011-12, 7.0 percent increase in GDP, poverty reduction, physical infrastructure development, solutions to electricity and energy sector, creating opportunities for employment generation, expansion of social sector for addressing the inadequacy of education, and the people's economic Implementation and implementation of social security net programs to improve conditions. Personal taxpayers' income increased threshold, withdraw tax relief benefits earned by ministers, high court judges and government officials, reduction of interest income from savings certificates, investment allowances, exemption for CSR, tax on cigarettes, chewing tobacco and motor vehicles, income tax To impose 10 percent surcharge, if the taxpayer's property exceeds the specified limit, then N 0.4 is a slight increase in the rate of tax in export earnings

0.6 percent for RMG products and 0.5 percent to 0.7 percent for other goods, imports of cotton waste and brick export tax, withdrawal of import duty on poultry feed, machinery used by LPG cylinders and public transport and specific VAT related steps such as VAT withdrawal, Introduce the acceptance certificate for the payment business, and the shortest possible Abye the business tax refunds to separate accounts back 'to create pretty.

#### **4.13 Foreign Exchange Risk of AIBL**

##### **4.13.1 Non Delivery of goods**

Documents conform but goods not sent are a common risk in import business. As an issuing bank, it must pay to beneficiary and faces loss.

##### **4.13.2 Short Shipment**

Short shipment is another risk that directly affects the profit reduction of importer that ultimate suffer the issuing bank.

##### **4.13.3 Inferior goods**

Inferior good may incur loss & reduce profit.



#### **4.13.4 Goods arrived but documents not**

Applicant May have to take goods under shipping guarantee that normally requires authorizing issuing bank to debit account and effect payment under the credit even for document not reached.

#### **4.13.5 Loss or Damage to goods**

Payment made under complied documents but goods lost or damaged in transit.

#### **4.13.6 F. Ex risk**

Difference in exchange rate between the date of credit or amendment issued and the settlement.

#### **4.13.7 Failure of the Issuing Bank to Pay/transfer Fund**

It is directly related to Inward Remittance and Outward Remittance. Sometime Issuing bank may not pay timely due to shortage of foreign fund. As a result, the applicant paying twice. Once to issuing bank and again directly to beneficiary.

#### **4.13.8 Country Risk**

Country is common in Least Developed Country, Country's F. Ex reserve not good, Vigorous Political turmoil, Safe home for terrorists, A country of smugglers and drug dealers, Under severe force majeure—war, flood etc.

#### **4.13.9 Nonpayment of the applicant**

The principal risk of the issuing bank who may try to minimize by obtaining security either by title of the goods (BL) or control over goods (consigned to issuing bank, if possible). May also seek adequate insurance. Limit approval stages are critical to analyze overall security level as well. This risk is also associated when applicant is not insolvent but not paying for other reasons. Based on the risks that applicant and issuing bank encounter, both should consider appropriateness of any clause incorporated in the credit and should carefully note whether any necessary clause is missed.

#### **4.13.10 Issuing Shipping Guarantee**

Sometime issuing bank issue shipping guarantee for releasing the goods infavour of applicant. After arriving the document, the document may discrepant and the applicant does not want to pay for discrepant document. Then the issuing bank may face difficulty because it has obligated to pay.



# CHAPTER 05

## FINDINGS &

## RECOMMENDATION





## 5. Findings

Bangladesh is not a complete Islamic country; all activities are not in accordance with the Islamic Shariah. However, AIBL is trying to manage its activities as much as possible in Islamic Sharia. From long and strict surveys and intensive observations, we have received some information about the AIBL foreign trade operation, which is presented below:

### 5.1 Positive Findings

- ❖ Growth performance of foreign trade business is positive.
- ❖ Foreign trade business is centrally regulated. So, there is a less chance of Trade based on money laundering activities.

### 5.2 Negative Findings & Recommendations

- ❖ There is no standard rule for the pricing of AIBL's imported commodity. For valuation of imported product, AIBL may develop a separate department for price valuation of imported product. This will help government to achieve its desired duty and VAT.
- ❖ AIBL makes delay to complete the process for import and export trade. Officials often take more time compared to other banks. Special care may be taken for new entrepreneurs and provide different facilities like SME investment for short term and flexibility in margin in some cases of import business.
- ❖ Lack of manpower in Foreign Exchange Department especially in export division of Bashandura Branch is a big problem. The manpower of that section is not sufficient for prompt service. So the bank needs to recruit more employees.
- ❖ As AIBL is not a foreign bank, it cannot attract as much as clients for Foreign Trade. Because client prefer Global bank for foreign transaction. AIBL should take some steps to create interest among businessman for foreign trade.
- ❖ Payments for L/C's could also made through pre-arranged credit facilities that the customer may have with the Bank. Usually, the rates of interest on these credits are excessively high which actually discourage the customers. Reducing interest on such credit facilities would actually



induce the clients to do more global trade thus increasing the banks profit as well as the well being of the country's Economy.

- ❖ A customer is required to pay the bank a certain percentage of the total L/C value in advance before opening an L/C, which is called L/C margin. If AIBL reduces the rate of margin then perhaps they can attract more customers. At the moment, companies with good relationship with the bank only benefits with lower margin level over others.



# CONCLUSION PART



## **6. Conclusion**

During the period of my internship work, I got the chance to observe the overall activities of a branch commencing from foreign exchange activities and precaution initiatives that taken for foreign-exchange risk management. I also got the scope to act together with high officials and informed about their prospects & perceptions about the Bank's services. During my interaction with the employees & customers, I understood that there is the existing customer is dissatisfied in some cases especially centralize banking system and higher verification of every activities of client. The Bank is developing its general banking & foreign exchange activities day by day with changing industry situation but the rate of change of such speed needs to be increased. This bank has strong monitoring system for all transaction. This bank has a separate Anti-Money Laundering Division to solve money laundering activities. There is a chance to develop the bank's leadership position in their banking industry.

I would like to say that this internship work in AIBL has developed practical knowledge about my business administration and made my BBA education more realistic. The ideas and tools used in this report were from accounting and finance related courses. I wish best for the bank.



## ***Bibliography***

- A text book of Banking
  - a. M. Radashawmi
  - b. S.V Vasudevan
- AIBL web site. ([www.AI-arafahbank.com](http://www.AI-arafahbank.com))
- Islamic and Economics Challenges.
  - a. Chapra Dr. Umar
- Training Materials for the Bankers.
- Foreign Exchange Mechanism
  - a. Md Al Amin
- Employee's idea of Bashundhara branch.
- Bangladesh Bank Guideline for Foreign Exchange Transactions.
- Md. Haider Ali, A Hand Book of Islami banking & Foreign Exchange Operation.
- A.A.M. Habibur Rahman, Islami Banking.
- Howard R. Goldsmith, Import / Export (A Guide to Growth , Profits and Market Share).
- Sayed Ashraf Ali. Foreign Exchange &International Finance.
- A.K. Chatterjee, Principles of Foreign Exchange.
- M. Omar Chapra, Review of Islami Economics.
- Annual Report of AIBL 2018.