

“An analysis of Foreign Exchange Activities of Mercantile Bank Limited”



Supervised By

Shah-Noor Rahman

Assistant professor

Department of Business Administration

Faculty of Business and Entrepreneurship

Daffodil International University

Prepared By

Md. Atiqur Rahman

ID: 162-11-5150

Major In Finance

Program: Bachelor of Business Administration

Department of Business Administration

Faculty of Business and Entrepreneurship

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LETTER OF TRANSMITTAL

Shah-Noor Rahman

Assistant Professor

Department of Business Administration

Faculty of Business and Entrepreneurship

Daffodil International University

Subject: Submission of internship report entitled “An analysis of Foreign Exchange Activities of Mercantile Bank Limited Elephant Road Branch”.

Dear mam,

It's a matter of great contentment to me that, I am finally submitting my internship report on “An Analysis of Foreign Exchange Activities of Mercantile Bank Limited Elephant Road Branch”. This topic was assigned to me as a fulfillment of the degree “Bachelor of Business Administration” (BBA). During making this report I had to face many difficulties and complexity with some salubrious situation. Which were a pleasant kind of experience. Though the report making was not that much easy, but I enjoyed the experience during this time. I have gathered valuable knowledge about the Foreign Exchange activity in private Banks in Bangladesh. Mainly Bangladesh’s current Foreign Exchange situation. My experience during this 3 months cleared my confusion and unclear ideas about Foreign Exchange. In near future undoubtedly this experience will help me a lot.

Hereby, I tried to describe my observations, learning and experiences in detail. The experiences I have gained with Mercantile Bank Limited Elephant Road Branch. I have tried my best to show my understandings and interpreting my experience and knowledge in this report. I would like to acknowledge your perpetuate brace and counselling during my internship to prepare this report. And I hope that you would be kind enough to see the inconveniences or misconceptions that may have appeared beyond my knowledge.

Sincerely Yours,

M. Rahman

9-2-20

Md. Atiqur Rahman

ID: 162-11-5150

Major in Finance

Bachelor of Business Administration

Department of Business administration

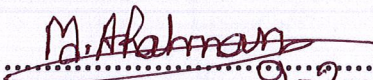
Daffodil International University.

STUDENT DECLARATION

I, **Md. Atiqur Rahman ID: 162-11-5150**, hereby proclaim that the presented report of internship titled "An Analysis of FOREIGN EXCHANGE Activity of Mercantile Bank Limited Elephant Road Branch" is uniquely developed by me after accomplishing 3 months of internship work at Mercantile Bank Limited, Elephant Road Branch.

In addition I affirm that this report is structured for my academic requisition not for any other reason, it might be utilized with the interests of opposite party of cooperation.

Md. Atiqur Rahman.


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9-2-20

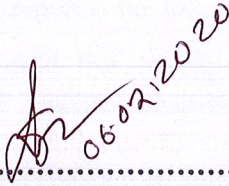
ID: 162-11-5150

BBA 44th Batch

Major in Finance

CERTIFICATE OF SUPERVISOR

This is to authenticate that the internship report accredited “An Analysis of FOREIGN EXCHANGE Activities of Mercantile Bank Limited Elephant Road Branch” has been capitulated by **Md. Atiqur Rahman ID: 162-11-5150**. Which was assigned to him for the award of degree of Bachelor of Business Administration (BBA) program. Major in finance in Daffodil international University. As much I know and as per his declaration any part of this internship report has not been submitted for any degree, diploma or certificate elsewhere; this report is recommended for submission.


06/02/2020

.....
Shah-Noor Rahman

Assistant professor

Department of Business Administration

Faculty of Business and Entrepreneurship

Daffodil International University

ACKNOWLEDGEMENT

First of all and most importantly I might want to express my gratitude, thanks and regards to almighty Allah, who has given me the ability and quality to finish the internship program effectively in Mercantile Bank Limited, Elephant Road Branch. I do want to express my gratitude thanks for the blessing given by Allah to my everyday life good health solid personality and smart thought it is for sure and extraordinary delight and respect on my side to have a chance to present this report following 3 months of reasonable introduction on Mercantile Bank restricted this internship report is considered as an honest effort of develop my practical and personal knowledge which adds to the theoretical part of my study. The people without whom I could never been able to submit my report is the following mentioned irrespective of my importance in order

At first I would like to express my extensive appreciation and deep contemplate to my distinguished teacher Shah-Noor Rahman, Assistant Professor, Department of Business Administration and Faculty of Business and Entrepreneurship. Her exceptional counselling, monitoring and constant encouragement for this report. The prodigious guideline and the advice given by her to me, time to time shall carry me a long way in the journey of life on which I am about to take off.

I would like to thank from my core of heart to the HR division of MBL and MD Humayun Kabir VP and Head of Branch & Mohammad Fayzul Islam FVP MBL ERB. For their random a d unquestioning support to complete my internship successfully. I also like to show my profound gratitude and thanks to Mr. Ziaul Hasan Choudhury FVP & in charge of FOREIGN EXCHANGE. Mr. Shah Alam, Mr. Hanan, Mr. Rumanuzzaman, Mr. Ishtiaque, Mr. Fahad and Mr. Shadab (PO, EO) from FOREIGN EXCHANGE Department and GB In charge of MBL ERB. I would also like to give my thanks to all the senior and junior staffs of Mercantile Bank Limited at Elephant Road Branch whose cooperation helped me to complete my internship properly. I must mention the excellent working environment and the positive group behavior of this bank which helped me tremendously to do this report.

Executive Summery

Bank is a financial institution which offers deposits against a certain percentage of interest. Subject to withdrawal of the money on demand and giving loans to the retail or corporate sector against with a handsome interest gain. There are different types of bank like Commercial Bank, Investment Bank, International Bank and Islamic Bank etc. Foreign Exchange means exchange of foreign currency or countries own currency with another or between two countries. If we consider FOREIGN EXCHANGE as a topic and then it means all kind of transaction which is related to foreign currency like Dollar, Euro and JPY etc. In other words FOREIGN EXCHANGE deals with foreign currencies and foreign financial transactions. We can explicate FOREIGN EXCHANGE as the measure and manner by which authority to wealth demonstrated in terms of the currency or money of one country are transforms into war to be the wealthiest in terms of currency of another country. FOREIGN EXCHANGE frisk a very indispensable role in the balancing of payment of a nation. FOREIGN EXCHANGE use to keeps within its fold import (purchase), export (sale) of goods across the cross borders around the world.

In this report we can see the discussions about the origin, Objectives, Scope & Limitations of this study. In this report we can see the discussion about the Principles, Rules, Regulations and Laws applied and followed by Mercantile Bank Bangladesh limited. Here we can see there is an overall review or overview of MBL is presented, where the mission vision goal and other perspective of MBL is presented. Also the current top management, authorities, all the remarkable achievements of MBL From 1999-2019. This report will try to keep your focus on Foreign Exchange activities, Import, Export, Remittance, LC/Letter of Credit etc. the study will cover the processing of LC, how it works in Import and Export Business. The role played by the both banks who is related on this LC. For analysis part will cover financial data on overall Import, Export and Remittance position of mercantile bank since 2014-2019. These positions are analyzed with graphical representation. Also after analyzing the bank there is a comparison of MBL with top rated FOREIGN EXCHANGE performed banks. This comparison is also shown under graphical presentation. My findings and Recommendations for Mercantile Bank after working 3 months, My observations & Solutions based on my observation has been presented. Conclusion and all the references related to my report is presented in the final chapter.

MBL has strong administration, extraordinary baking investment team, huge vision, talented employees and athletic determination to achieve their goals. Also all the officials of Mercantile Bank are very much gregarious and supportive. From higher authorities the MBL ran an over through analysis on some of their lacking's. Where they identified such as employee are suffering from poor training facilities and FOREIGN EXCHANGE related inner rules restrictions & charges are not clear to the clients. To get more qualified superiority MBL should get rid of these types of lack and unavailability. It will help them to hold their powerful position in the banking sector and Bangladeshi economy.

Acronyms

BB: Bangladesh Bank.

DSE: Dhaka Stock Exchange.

MBL: Mercantile Bank Limited.

ERB: Elephant Road Branch.

HRM: Human Resource Management.

GB: General banking.

KYC: Know Your Customer.

SWIFT: Society for Worldwide Interbank Financial Telecommunication.

L/C: Letter of Credit.

FOREIGN EXCHANGE: Foreign Exchange.

IDBP: Inland Documentary Bill Purchase.

FDBP: Foreign Documentary Bills Purchase.

LTR: Loan against Trust Receipt.

RR: Rate of Return.

RM: Market Return.

PI: Proforma Invoice.

IBBL: Islami Bank Bank Bangladesh Limited.

UCBL: United Commercial Bank.

EXIM Bank: Export Import Bank Limited.

FD: Fixed Deposit

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Chapter-1

Introduction

1.1 Introduction of Organization:

Among the 48 private banks in Bangladesh Mercantile Bank is one of the largest private bank. They are one of the leading banks in Bangladeshi private sector banks. They have grown up gradually since 1999 and today they are at 20 years experienced private bank which is successfully operating in Bangladesh. To contribute in the social economic development of Bangladesh and the large economy, Mercantile Bank has emerged to provide efficient Bank service and to contribute in the socio economic development of our country as a commercial bank. 2nd June 1999 Mercantile Bank commenced its operation in Bangladesh. To provide broad range of financial services and socio economic development over our country Mercantile Bank is working from its beginning. For controlling Mercantile Bank the bank has managed to get eminent personalities of commerce and industry from the real names of our country as their board of directors.

Bank is a financial institution which offers deposits against a certain percentage of interest. Subject to withdrawal of the money on demand and giving loans to the retail or corporate sector against with a handsome interest gain. There are different types of bank like Commercial Bank, Investment Bank, International Bank and Islamic Bank etc.

The bank ok as unique history of its own which makes it different from the other private banks in Bangladesh. Started its journey as an investment company back in 1999 to provide financial services to its clients and our economy.

For drawing our GDP and the socio-economic position of our country the bank is providing high quality services and lucrative uses of funds true financial products and offers to Institute its constituents. To create greater employment opportunity, to help the industrialization revolution in Bangladesh, to boost up export, minimizing import, provoking the youth to take micro credit and shine in life by taking lucrative offers and loans from Mercantile Bank Limited. For modification of poverty and improving people's lifestyle contributing in social economic development of country and its people.

The center focus of Mercantile Bank Limited is to put together the resources and the investment in the way to the industrial revolution of Bangladesh. Also providing investment and help for the trade sections development of capital market and play important role in our country's economy.

1.2 Origin of the report:

Here in this report entitled “An Analysis of FOREIGN EXCHANGE activity of Mercantile Bank Limited” study on Elephant Road Branch has been prepared by me. The intention of this report was to fulfillment of BBA program authorized by Shah-Noor Rahman, Assistant Professor and Department of Business Administration of Daffodil International University.

While preparing this report I was supervised and counsel by Shah-Noor Rahman. I was working with an organization named Mercantile Bank Limited for 12 weeks while I was preparing this report. My motive to work with Mercantile Bank was to learn about how the organization and the

FOREIGN EXCHANGE division works. As I have worked with this organization with the help of the internal supervisor and its wonderful employees, who helped me a lot. Now I have decided to make this report which will show my findings and learnings with what I have figured out from this internship program.

1.3 Objective of the Study:

The objective of this study is to give an overview regarding the Foreign Exchange operation of Mercantile Bank Limited from the period of 2014-2018.

Beside the main Objective of this study, Specific objectives are:

- a) To study the Import Policy and Export Policy of Mercantile Bank Limited.
- b) To investigate the trend of remittance of the bank for the time period of 2014-2018.
- c) To identify related risk regarding foreign trade.
- d) To provide an idea about the process of opening L/C.
- e) To describe the different types of L/C needed to perform Foreign Exchange Operations.
- f) To analyze the bank performance and efficiency in the field of Foreign.
- g) To identify some findings and draw a recommendation on the basis of above stated objectives.

1.5 Scope of the Study:

My study was to cover the FOREIGN EXCHANGE activity of Mercantile Bank Limited through joining and working with the FOREIGN EXCHANGE department of elephant Road branch. This report contains my observation, experience and findings (strengths and weakness) during this 3 months internship program. And also my findings about opportunities and threats on this branch. This report will help every business students by introducing them to the FOREIGN EXCHANGE activities of a private bank. And it'll teach them the practical experience which I have gathered and they can differentiate it with the theoretical knowledge from book. During making of this report I understood some concept and clear some confusion about FOREIGN EXCHANGE.

1. Being clear about what is local and foreign activities in a bank.
2. Principles of Accounting in banking, in which way the balance is sheet measured in Mercantile Bank.
3. The opening process of L/C.
4. What are the rules and regulations which has to be maintained in opening L/C?
5. What are the main clauses and demands of the important and also the exporter?
6. How a L/C protects every deal which is made by the L/C.
7. How the company maintain its relation with the exporter and importer.
8. The full process of a L/C opening to L/C closing.

1.6 Methodology of Study:

For doing research or completing a report there should be a method which has to be followed to complete the report or complete the research. In this report I have follow the method of data collection and researching on the basis of these data. For collecting this data I took two sources primary source of data and secondary sources of data

Primary Data Source:

Collecting the primary data is much more important as its not biased or not collected from any other sources so the chance of being correct and very real data. As it determines how you have collected this data. For collecting the primary data I have physically collected those data by myself. For this I have

- a) Interview the manager (VP) and the 2nd manager (FVP) of MBL ERB.
- b) I have also interviewed the in charge of general banking division, credit in charge, and FOREIGN EXCHANGE in charge of that branch
- c) I have talked with the employees of this branch.
- d) I have got the chance to talk with their customers as I was posted as a front desk assistant for 2 weeks.
- e) Also I have interviewed the customer of FOREIGN EXCHANGE division which has been a big chance for me to interact with the customer as FOREIGN EXCHANGE is my topic of reporting.
- f) I have got a chance to visit a manufacturing company e after visiting that the in charge made a proposal for this company for their credit limit increase.

Secondary Data Source:

To collect secondary data for any report or research it's so easy because all the secondary data is available online and offline.

- a) 5 years Annual Reports and Financial Statement of Mercantile Bank Limited.
- b) Bank publications and General Banking information & activities of MBL.
- c) Study material.
- d) Mercantile Bank Limited official website.
- e) Online news portal news's, newspaper, journal, articles and reports from online web and market.
- f) Internet, Google, Wikipedia etc.

1.7 Limitations of this study:

Without any kind of problem and limitation it's impossible to prepare a report or analysis by a researcher. Every study/research has to face some limitations and difficulties. As I was working in the FOREIGN EXCHANGE division of Mercantile Bank Limited, ERB. There also some limitations which I have found and some of them are mentioned below:

- 1) During collecting the data I had to face some difficulties in accessing the internal operations data which is not allowed to disclose outside or with anyone.
- 2) Some important data like branch balance sheet and income statement we are not available.
- 3) The GB in charge was unable to give me the branch financial statement.
- 4) Some of the basic information of the bank was missing manifestation.
- 5) The biggest limitation of this report is time. As I have mentioned that I got only 12 weeks to work ok in the branch and for the first two weeks I worked with the front desk of GB. Next 1 week with the credit division and card division. Last 8 weeks I worked with FOREIGN EXCHANGE and it took my first week to cope up with the employees.
- 6) The information I got from the bank was not structured.
- 7) It's my first time to write up an internship report, so it's the lack of experience.
- 8) The bank doesn't updates it database frequently so I couldn't get the latest data.
- 9) Some classified data and confidential information was not disclosed to me for privacy issue.
- 10) As you know FOREIGN EXCHANGE is a very e busy department, the employed try to give me much time but they are so busy e in the daily work so that they couldn't help me so much with time.
- 11) To accommodate all the information of a bigger organization like Mercantile Bank, it's difficult because of its depth.
- 12) The website of the bank is not well organized and all the data and information are not available there.

Chapter-2

Organizational Overview

Overview of MBL:

Mercantile Bank is one of the largest private sector Banks in Bangladesh with 20 years of experience. Mercantile Bank Limited emerged as a new commercial bank in Bangladeshi private banking sector to provide efficient banking service and to contribute socio economic development of the country. The bank founded on June 2, 1999. The bank provides a broad range of financial services to its customers from its beginning. The board of a director consists of distinguished personalities from the realms of commerce and industries of the country. A bank is a financial institution, which accepts depositors money for safe-keeping and contracts with the depositors to lend this money at interest to individuals or organizations that are in need of money. Its call loan, the loan taker uses the money and give security that loans will be paid with interest. Mercantile Bank Ltd. bears a unique history of its own. The organization started its journey in the financial sector of the country as an investment company back in 1999 Mercantile Bank Ltd. Is instituted to its constituents providing high quality services through financial products and lucrative uses of fund and helps to growth of GDP by trade and commerce, to help industrialization, to boost exports, employment opportunities for youth and provoking micro-credit leading to poverty mollification and improving the lifestyle of the people and thereby contributing to social economic development of the country. The companies aim is to put together resources form within invest them in the way to countries industrials, trade sections, development and play important role in the form of capital market as well.

2.1 Mercantile Bank remarkable achievement throughout this 20 years are given below:

May 20, 1999	Incorporation of the Bank
June 02, 1999	Commencement of the Bank
October 29, 2000	Opening of 10 th Branch
July 03, 2002	Opening of 15 th Branch
July 30, 2003	Publication of prospectus for IPO
Oct 21-22, 2003	Subscription for shares
Dec 24, 2003	Opening of 20 th branch

Feb 16, 2004	Listed in Dhaka Stock Exchange
Feb 26, 2004	Listed in Chittagong stock Exchange
Dec 29, 2004	Opening of 25 th branch
Dec 05, 2006	Opening 30 th branch
Dec 17, 2007	Opening 40 th branch
Nov 24, 2008	Opening 42 th branch
June 06, 2009	Mercantile Bank Brokerage House Operation
Oct 22, 2009	Opening of 45 th branch
Dec 30, 2009	Opening 50 th branch
August 02, 2010	Opening 55 th branch
Dec 30, 2010	Opening 65 th branch
Sep 14, 2011	Separate operation of Mercantile Bank Securities
Dec 06, 2011	Mercantile exchange house
Dec 29, 2011	Opening 75 th branch
Dec 27, 2012	Opening 86 th branch
Dec 29, 2013	Opening 91 th branch
Dec 29, 2014	Opening 100 th branch
Dec 31, 2015	Opening 109 th branch
Dec 22, 2016	Opening 119 th branch
Dec 28, 2017	Opening 129 th branch
Apr 18, 2018	National Productivity and Quality Excellence Award- 2016
May 11, 2018	Moody's assigns first-time B1 ratings to Mercantile Bank Ltd.
June 2, 2018	Launch of 'MBL Young Bankers' Appreciation Award 2018'
Oct 3, 2018	Inauguration of 'MBL Contact Center'
Dec 24, 2018	MBL achieved 'Certificate of Merit' under the category of Corporate Governance Disclosure in 18th ICAB National Award
Dec 27, 2018	Opening of 138 th Branch
Dec 06, 2019	Opening 140 th branch

2.2 Corporate Information:

Name of company	Mercantile Bank Ltd.
Legal from	A public limited company incorporated in Bangladesh on 20th May 1999 under the companies Act 1994 and listed in Dhaka Stock Exchange Limited on Feb16, 2004 and Chittagong Stock Exchange Limited on Feb 26, 2004.
Incorporation No.	C-37775 (2075)/99
Bangladesh Bank License No.	BL/DA/6289/99
Date of Incorporation	20th May 1999
Commencement of Business	June 02, 1999
Head office	61, Dilkusha Commercial area, Dhaka-1000
Telephone no:	+88-02-9559333, 9553892
Contact Center	16225
Credit Rating (Local)	AA
Credit Rating (International)	B1
Accounting Year End	December 31
Chairman	Morshed Alam, MP.
Vice chairman	Al-Haj Akram Hossain (Humayun) & Mohd. Selim
Managing director	Md. Quamrul Islam Chowdhury
No of branches	140
No of ATM booth	162
No of employee	2305 till 31 Dec, 2018
Fax no	+88-02-9561213
Website	http://www.mblbd.com
Swift	MBLBBDDH
Auditor	Syful Shamsul Alam & Co., Chartered Accountants Ahmed Zaker & Co., Chartered Accountants
Tax Advisor	K M Hasan & Co., Chartered Accountants

2.3 Other Information: Some important information about Mercantile Bank presence in the stock market

Total capital	29,486.29 Million BDT
Paid up capital	8,149.20 Million BDT
Total asset	291,385.65 Million BDT
Total deposit	243,643.42 Million BDT
PE ratio	5.01 Times

2.4 Vision of Mercantile Bank Limited:

Like every other bank in Bangladesh, Mercantile Bank has a long-term and appropriate vision for their operation, in near future the main vision of Mercantile Bank is to be the finest corporate citizen in Bangladeshi economy. Also create some finest corporate citizen by investing behind them, and creating opportunities for new micro, semi micro, and big companies/business organizations.

2.5 Mission of Mercantile Bank Limited:

Being number one in the top listing Bank of Bangladesh is the main mission of Mercantile Bank. They strive to be top class in banking sector by doing their duties properly towards the country and its people's greater interest. Providing the best possible facilities to its customers. For making a strong customer relationship the bank is trying to deliver all kind of financial services to the customers. For creating a better image and leaving a great impression of Mercantile Bank to its customer the bank is providing long-lasting solution and creating friendly environment for the customers. And always they try to be honest with their customers so they can gain the belief and the trust of the customers and the customer will invest in their bank and they will be interested to take loan or lend from their bank.

2.6 Core values of MBL: MBL follows 3 core values:

For the customer: Providing customers with new innovative banking products and services so the customer will feel friendly and favorable environment.

For the shareholders: As we all know every company and organization should concentrate to maximize the wealth of their shareholders. Mercantile Bank Limited is not different from them, they also try to maximize the wealth of their shareholders.

For the employees: Giving respect and dignity with showing proper etiquette towards the employee and devoted their energies to progress the bank and its popularity in the whole country.

1. Confidentiality to them,

2. Commitment with the bank,
3. Respect for individuals with they work,
4. Respect for nature and its safety,
5. Upgrading new and state of our technology in the banking sector with time.

2.7 Organizational Goals:

We all know there is approved saying without goal life is a boat without Captain. Like any other financial organization Mercantile Bank has its own goal. Being the top most profitable Bank in Bangladesh is the main goal of Mercantile Bank. Providing the high service quality and establishing relationship with its word class organization that, helps its customer to keep their money safe and grow successfully in their life. It can develop the appropriate structure of management procedure and system, also can plan the best training, recruitment system and orientation planning for its customer and employee.

2.8 Management Information system of MBL:

From the beginning of Mercantile Bank which is 1999, it has established and emphasize on the use of improved technology which is the need of time and also modernization. As a new bank it started operating online system and new banking software with flexible rules under the new developing process. For providing service equivalent to International level of banking service Mercantile Bank is using Dubai best software which is the fastest banking system in the world named TEMONA's.

2.9 Correspondent Relationship:

For being in the top of banking industry every bank should have correspondent relationship with foreign banks and established a correspondent relationship with this banks. It is very important to have correspondent relationship with a large number of foreign banks searches Bank of Tokyo American Express Bank Standard Chartered Bank Hong Kong Shanghai Business Corporation which situated in Kolkata and London. Mercantile Bank has set up a letter of credit on behalf of its valued customer using its correspondence as advising and reimbursing banks outside Bangladesh. As they have been successful to make relationship with more and more correspondent banks outside Bangladesh. The Bank's relationship with its correspondence Bank are expanding gradually and also, it maintains in need base correspondent relationship policy with its correspondent banks.

2.10 Divisions of Mercantile Bank Limited:

For being a successful organization in any industry there must be division in the working strategy for department wise should be divided so that the company or the organization can comply its duty properly. The division system would be difficult if the jobs of the organization are not organized with their interrelationship and are not allocated with all the divisions or departments. If the relationship among the divisions are not good there will be a mismatch situation and the performance of a particular division would not be measured if the departmentalization is not doing

the particular works. The performance of a particular department would not be measured by the compliance of the company and also the regulatory authority of banking industry such as Bangladesh bank and any other audit corporations.

Mercantile Bank Limited has been able to do that work very well to decentralize its authority's in various divisions these divisions are as follows:

1. Human Resource Division ,
2. Personal Banking Division ,
3. Treasury Division ,
4. Operations Division ,
5. Computer and Information Technology Division ,
6. Credit Division ,
7. Finance and Accounts Division ,
8. Financial Institution Division ,
9. Audit and Risk Management Division
10. FOREIGN EXCHANGE Division.

Human resource management division of Mercantile Bank Limited:

For protecting the rights of Mercantile Bank employee the Mercantile Bank HR policy sets the framework and guideline to treat its employee humanly and providing them an identity of bountiful and protecting their rights. The whole Mercantile Bank head office is maintained by the department of HRM or Human Resource Management Division of Mercantile Bank. MBL treats its all employees with respect and creating an environment which is friendly and trustworthy for its customers and also for the employees who will help them to achieve their goals. Job satisfaction, growth opportunity, providing basic needs and rights of the employees is the policy of HRM division of Mercantile Bank. Which emphasizes the performance and goals of the organization. A good working environment reflects and promotes a higher level of loyalty and commitment from the employees. Who tries to improve their self and also improve the performance of their bank? Mercantile Bank has realized this truth and the importance of the division which is continuing development of its human resource. Which is identified the strength and weakness of the employees to accept the individual training needs they are sent for training for self-development and organizational development.

2.11 Board of Directors:

Board of directors decides each and every department's responsibility and duties to be done or complied by them. Normally we can say that the board of directors is the main body of the bank which decides and formulates policy guidelines, provide strategic planning, controls employees activities and supervisors performance activities of the bank and its sister concerns and also correspondent banks inside and outside Bangladesh. There is also an audit committee which assess the board to do their work and also improve the performance of the bank. The Board of directors, Executive committee, Audit Committee & Risk Management Committee Members of Mercantile Bank Limited.

	Name	Designation
01	Morshed Alam	MP, Chairman
02	Al-Haj Akram Hossain (Humayun)	Vice Chairman
03	Mohd. Selim	Vice Chairman
04	Md. Shahidul Ahsan	Chairman, Executive Committee
05	Dr. Md. Rahmat Ullah	Chairman, Audit Committee (Independent Director)
06	Md. Anwarul Haque	Chairman, Risk Management Committee
07	A.S.M. Feroz Alam	
08	M. Amanullah	
09	Md. Abdul Hannan	
10	A.K.M. Shaheed Reza	
11	Md. Nasiruddin Choudhury	
12	Alhaj Mosharref Hossain	
13	M.A. Khan Belal	
14	Md. Quamrul Islam Chowdhury	Managing Director & CEO

a) Executive Committee:

	Name	Designation
01	Md. Shahidul Ahsan	Chairman
02	Md. Anwarul Haque	
03	A. S. M. Feroz Alam	
04	M. Amanullah	
05	Md. Abdul Hannan	
06	A. K. M. Shaheed Reza	
07	Alhaj Mosharref Hossain	

b) Audit Committee:

	Name	Designation
01	Dr. Md. Rahmat Ullah	Chairman
02	Al- Haj Akram Hossain (Humayun)	
03	Md. Nasiruddin Choudhury	
04	M.A. Khan Belal	

c) Risk Management Committee:

	Name	Designation
01	Md. Anwarul Haque	Chairman
02	Al- Haj Akram Hossain (Humayun)	
03	Mohd. Selim	
04	Md. Nasiruddin Choudhury	
05	M.A. Khan Belal	

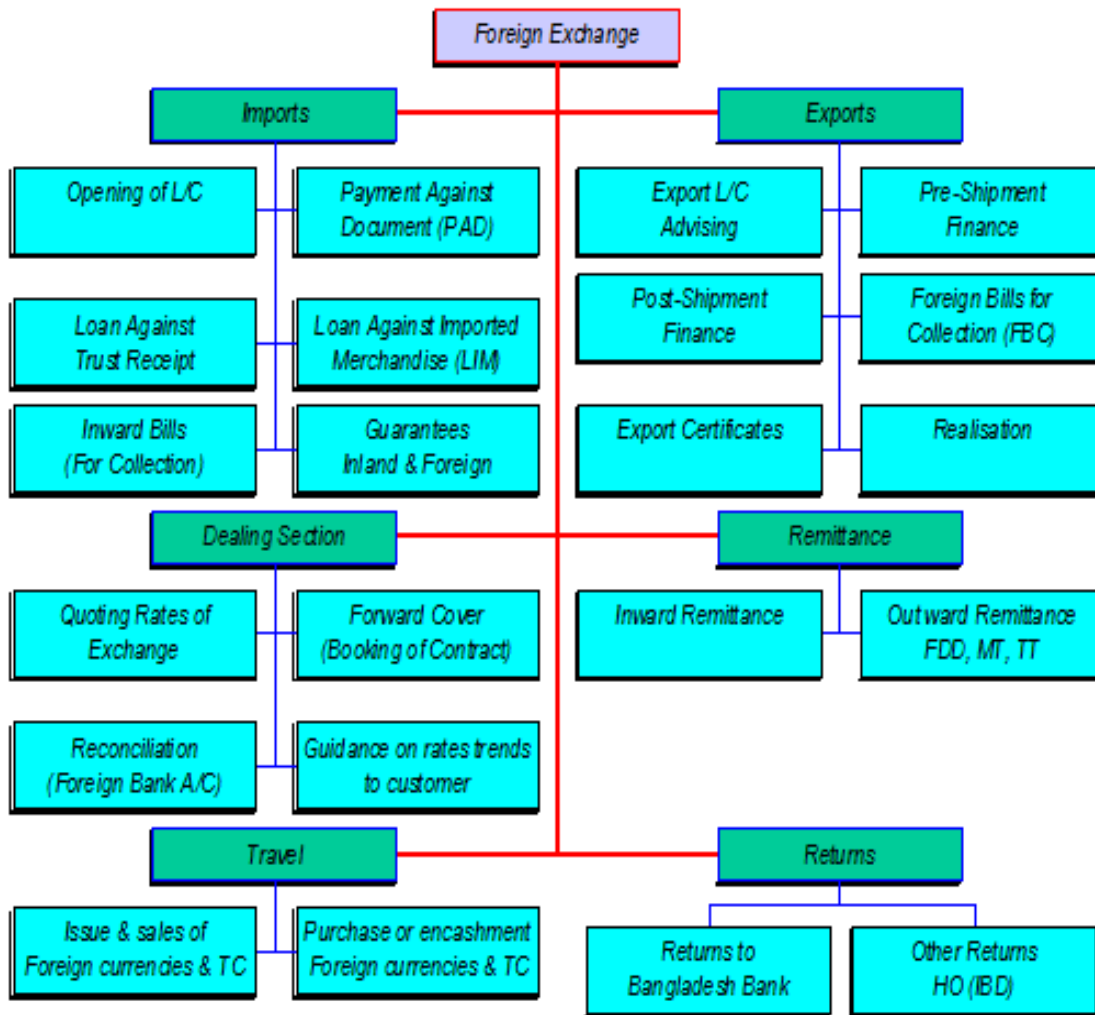
Chapter-3

Foreign Exchange

3.1 Foreign Exchange:

Definition of Foreign Exchange:

Foreign Exchange is the process of changing over one country's cash into another and interchanging cash beginning with one country to its exchanging nation. There are fundamentally two situations in the far off trade function. One is paper money dealing, which is related with Acquiring and presentation of far off money and other one is Trade Arrangement which is essential for agreement of import and payment commitment. FOREIGN EXCHANGE is that segment of economic science which dispense with the means and method by which right to capital in one country's paper money are turned into rights to its currency in terms of another country's currency. It included the test of the method with tech by which the cash of a nation is traded for that of another, the causes which leads such trade basically the formation which trade may take and the part of it or equal standard at which such transactions are affected. Isolated trade is the rate of business in the both countries' cash.





Foreign Exchange Market:

The FOREIGN EXCHANGE endorse is where modification takes place. In our country the Inter Bank exterior cash/trade exhibit worked through electronic media deploy and supervise room of bank/money related corporation for buying and offering of scheduled money between banks and other monetary institution at retail rate in the light of appeal and supply. Just approved by buyers arrangements demandingly with each other in far off trade markets who are legally licensed to work in along with the outside market by the BB. Authorized merchants who are for the most part of profession put money for their consumer handle all the far off trade.



Exchange currency and trade conversation between two countries is FOREIGN EXCHANGE. FOREIGN EXCHANGE is the evolution part of science and economics. There are three main part of FOREIGN EXCHANGE which can elaborate and make you understand what FOREIGN EXCHANGE is.

In Bangladesh we mainly import from China and India. There are some other countries from where we import many things in our country like South Korea, Japan, Vietnam, USA, UK, UAE, KSA, Pakistan, France, Malta, Italy, Germany, Egypt, Philippine, Singapore. European and American Nations imports RMG, Frozen Food, Ready food Spices etc. Asia countries like India, Pakistan, Nepal, Bhutan, Sri lanka, South Korea, Philippines etc. imports also from us. Outside our country the main export in our country is the RMG Ready Made Garments currently, we are also exporting Pharmaceuticals, equipment's, medicines, vegetables, Frozen Food, IT products, fish, meat, Mobile phones, laptops, Refrigerators & motorcycles etc. Our main Export destinations are African Nations like Zimbabwe, Nigeria, South Africa, Kenya, Egypt, Congo, Chad, Sudan, Namibia, Niger, Ethiopia, Morocco etc. they mainly Imports Pharmaceutical Medicine, laptop, mobile and other important products. Now in a day's Bangladesh is exporting much more products than importing from outside the country. Which is significant for our country and economy as we know exporting increases countries trade balance for that we have to produce more product and which is much cheaper than other countries.



For doing this 3 operations Mercantile Bank follows to payment system for FOREIGN EXCHANGE:

- 1) Local currency market value
- 2) Foreign currency market value

Foreign Exchange flow chart:

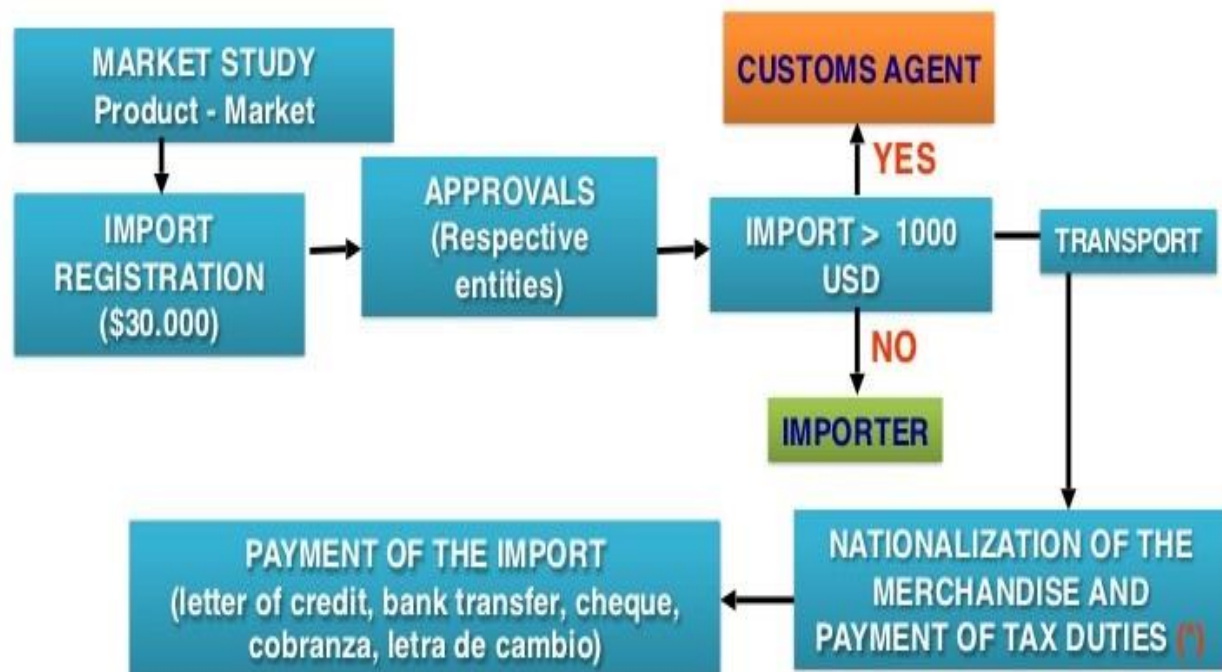


3.2 Import:

Import means buying or bringing products/goods or services from outside the country border. The importer imports products from the country, which can produce it much more cheaply and qualitatively than his own country. Importer can import from anywhere outside of his country. It can be far away from the importers country, also can be the neighbor country of the importer country. Every import increases the International products variety or raw materials, also it decreases our trade balance. Import can be done in many ways it can be by air, by water or by road. Any transportation which is convenient for the importer, he can use for importing any product. Most of the time the import is happened by ship or by water. Because transporting through water is cheaper than by air or by road.

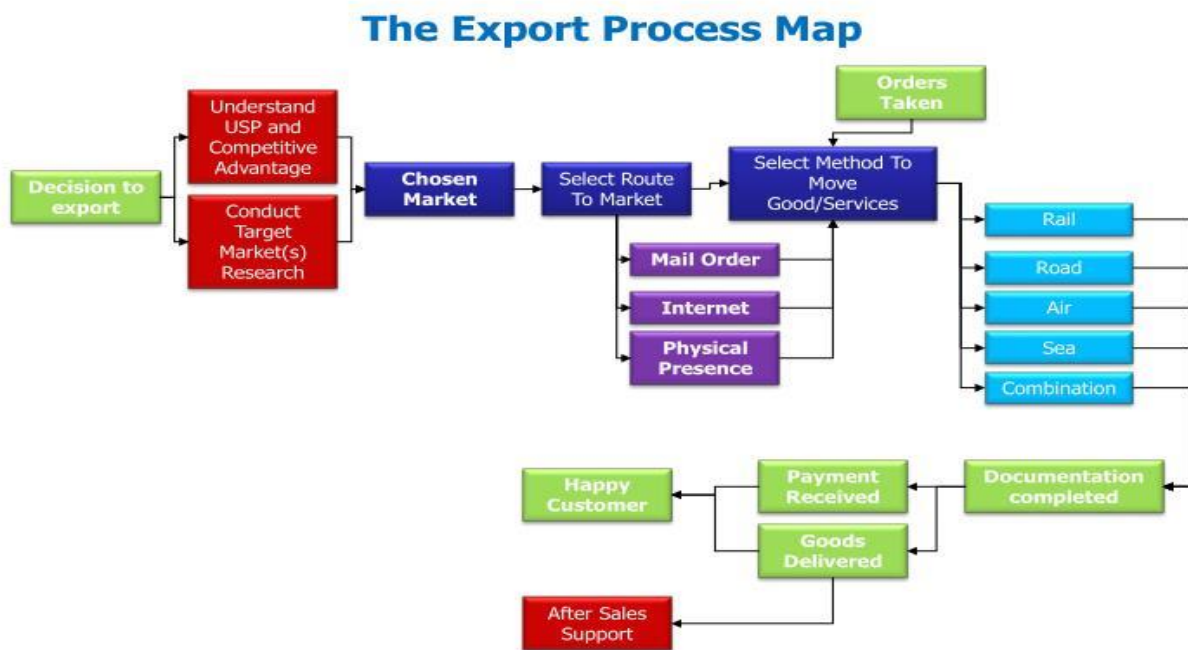
In Bangladesh we mainly import from China and India. There are some other countries from where we import many things in our country like South Korea, Japan, Vietnam, USA, UK, UAE, KSA, Pakistan, France, Malta, Italy, Germany, Egypt, Philippine, Singapore.

THE IMPORT PROCESS



3.3 Export:

Exports are the goods and services produced in one country and purchased by residents of another country. It doesn't matter what the good or service is. It doesn't matter how it is sent. It can be shipped, sent by email, or carried in personal luggage on a plane. If it is produced domestically and sold to someone in a foreign country, it is an export. Exports means selling products goods and services outside the country border to the Importer. For importing country a country can export anywhere in this world, where it can be the neighbor country or the longest distance country from the exporting country. Export increases our country's trade balance and which is favorable for our economy and countries welfare. Most of the country export the products or services which they produce much more cheaply than the other countries in the world and also the exporting country has an overflow of the product or service as they are producing it in a large scale for economic profit. Now in a day's Bangladesh is exporting much more products than importing from outside the country. Which is significant for our country and economy as we know exporting increases countries trade balance for that we have to produce more product and which is much more cheaper than other countries outside our country the main export in our country is the RMG Ready Made Garments currently we are also exporting Pharmaceuticals, equipment's, medicines, vegetables, Frozen Food, IT products, fish, meat, Mobile phones, laptops, Refrigerators & motorcycles etc. Our main Export destinations are African Nations like Zimbabwe, Nigeria, South Africa, Kenya, Egypt, Congo, Chad, Sudan, Namibia, Niger, Ethiopia, Morocco etc. they mainly Imports Pharmaceutical Medicine, laptop, mobile and other important products. European and American Nations imports RMG, Frozen Food, Ready food Spices etc. Asia countries like India, Pakistan, Nepal, Bhutan, Sri lanka, South Korea, Philippines etc. imports also from us



3.4 Remittance:

“Foreign remittance means, The Purchase and sale of freely convertible foreign currencies. As admissible Foreign Exchange Regulation Act 1947”

There are two types of foreign Remittances:

- a) Foreign Outward Remittance
- b) Foreign inward Remittance



1) Foreign Remittance Producer:

India has the membership of Swift and Money Gram networks. For sending money from International or cross border area to the home country is Bangladesh. Any nonresident Bangladeshi can transfer the money without any kind of risk in few minutes just using the services. Having an agreement with the foreign money exchange companies are imperials other sites beside Money Gram. For sending any amount of money using swift network Bangladeshi expatriate can't send the money with the relatives in their home country or home very easily.

2) Remittance Comes From:

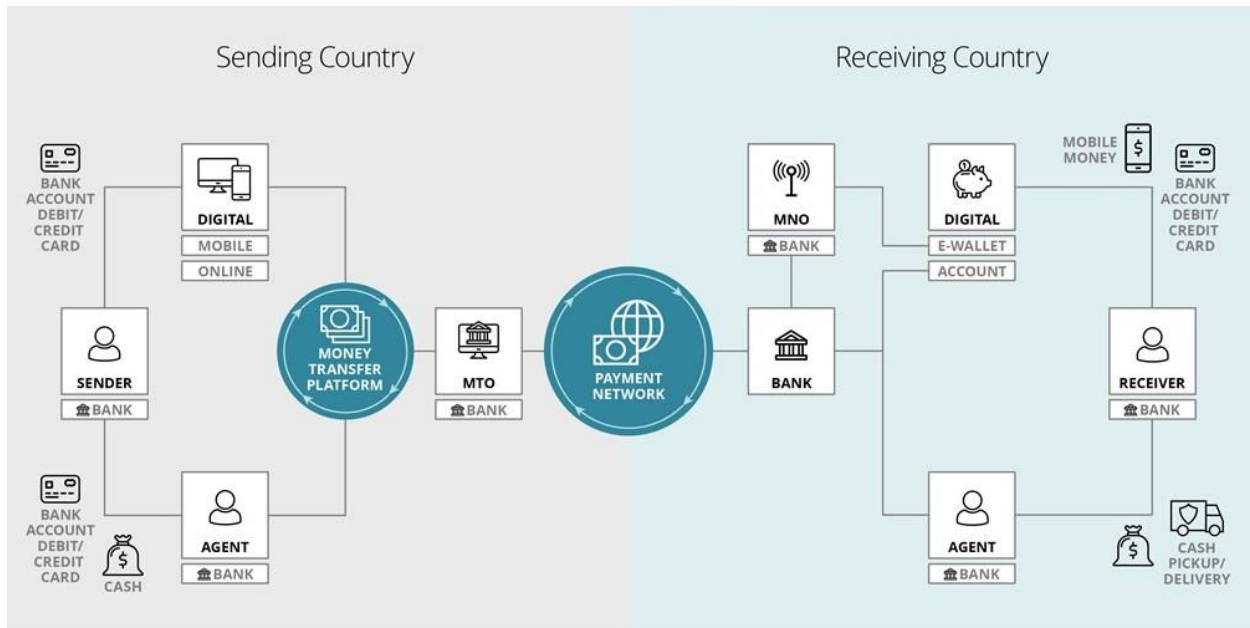
- a) Middle East country
- b) Singapore
- c) UK

- d) USA
- e) Australia.

3) Current Foreign Exchange rate:

a) Interbank USD/BDT Rate:

- 1) Buying Rate 81:50
- 2) Selling Rate 82:50



Local Remittance:

For Mercantile Bank limited local remittance is very important. Local remittance plays a vital role in our national economy. Local Remittance are

- 1) Pay Order
- 2) Demand Draft (DD)
- 3) Telegraphic transfer

3.5 Products of Mercantile Bank Limited:

Current Deposit A/C:

- 1. Individuals,
- 2. Joint Account,
- 3. Partnership Firms,

4. Limited Companies,
5. Government or Semi Government Companies,
6. Non-Government Companies or
7. Private Companies.

Savings Bank Deposit A/C:

1. Individual,
2. Two or more name,
3. Minor jointly with legal guardian

Fixed Deposit Receipt:

There is an option to deposit a fixed amount of money in the bank for a fixed amount of interest. Which is more lucrative than savings account or current account, the interest is given here on the basis of time period that means if the money is deposited for a longer period of time the rate of interest is high.

a) Joint Account.

b) Partnership Firm.

1. Firm name,
2. Partnership deed,
3. Trade license from City Corporation,
4. Letter of authority.

c) Money double program.

d) Minor Account.

e) Oporajita Account.

3.6 Loan Products:

Like every other banks Mercantile Bank Limited allows some types of loan, which are:

a) Personal Loan

b) Education Loan:

c) Car loan Scheme

d) House Building Financing

e) Cards:

1. ATM Card
2. Card (Local, International and Dual)
 - b) VISA Debit Card
 - c) VISA Credit Card

d) VISA Prepaid Cards

Types of Credit Card:

- b) Local Credit Card
- c) International Credit Card
- d) Dual Credit Card

Category of credit card

- a) Platinum card
- b) Gold card
- c) Classic card

Visa prepaid card:

- 1. Medical card
- 2. Student international card
- 3. Virtual card
- 4. Hajj card

Other services of Mercantile Bank limited:

- I) Mercantile Bank limited Securities & Financial Service
- II) Treasury Service
- III) Remittance Service
- IV) Locker Service
- V) Off Shore Banking Unit
- VI) Schedule of Charges
- VII) List of Enlisted Surveyors

Chapter-4
**Documentary Credit /
Letter of Credit.**

4.1 Documentary Credit / Letter of Credit (L/C):

Credit means any arrangement however named are described that it irrevocable and thereby constitutes a definite undertaking of the issuing Bank to honor a complying presentation. (UCP-600, Article No- 02)

We can easily say “letter of credit is a definite undertaking of the issuing bank on behalf of the importer to make payment to the exporter or his bank against delivery of goods/services and subject to presentation of document as per terms and conditions specified on L/C.”

Europe is the place where letter of credit started its journey for doing international business. Every letter of credit we are usually governed by international standard rules but by the law of nation. UCPDC or Uniform Custom and Practice for Documentary Credit was issued by The International Chamber of Commerce in 1933. They made a voluntary framework for commercial banks to transact through the whole world by following these rules which are called UCPDC-600.

From the ending of 19th century and the beginning of 20th century travelers commonly used to carry a circular letter of credit issued by their relationship Bank of their home country, which allowed them to withdraw certain amount of cash from the foreign country bank along with their journey until they return to their own country. ATM, credit card and travelers Checque are the current instruments which replaced the use of special kind of letter of credit. In the beginning letter of credit where existed in paper documents. Usually letter of credit where issued by telegraph in the end of 19th century and by telex in the latter half of 20th century. In the year of 1973 the creation of SWIFT made all the letter of credit to transmit through electronic data interchange or Internet. All the banks throughout the world started to migrate into Swift to transfer letter of credit. After 10 years of Swift invention in 1983 the UCP was amended to allow telecommunication transmission of letter of credit. From the beginning of 21st century paperless letter of credit started being popular from paper letter of credit the reason was SWIFT.

Terminologies of letter of credit or L/C:

In the year of 2007 UCP 600 commonly regulated by the market practice within the letter of credit market. A large number of letter of credit defined by UCP-600 which categories the various factors within any given transaction by the authority. For understanding the crucial role of financial institution to play within are

- a) The buyer will be named as applicant for the company who has requested the letter of credit to be issued.
- b) According to UCP 600 article 2 defines that the party in whose favor a credit is issued should be called as beneficiary.
- c) Usually the issuing bank is the bank who issues the credit and they just fulfill the request from an applicant.
- d) The nominated bank is a bank mentioned within the letter of credit at which the credit is available (in this respect UCP 600 article to reads “Nominated by means the bank with which the credit is available for any bank in the case of a credit available with any bank”)

- e) The beneficiary or their nominated Bank of credit should be informed by the advising Bank to send original credit to the beneficiary are there nominated Bank any kind of amendments should be informed to the applicant bank by the beneficiary whether there is change in the L/C or L/C value. Further any kind of change in the L/C should be informed by the beneficiary bank.
- f) Any kind of confirmation from the applicant Bank should be transmitted to the beneficiary bank by SWIFT message.
- g) Complying presentation set of document that fulfilled a requirement of L/C and all the other rules related to L/C.

Function:

From the definition of L/C we can say that an L/C is an agreement between two parties where the importer and the exporter are from different country or they don't know each other because of distance. So there can be a miscommunication or misconception between the importer and the exporter for eliminating this risk two Banks from both the importer and exporter side handle that deals so that, the importer get the product he ordered and the exporter gets paid for what he sold to the importer. For doing important export business letter of credit is an international payment method for the exporter and importer. When the exporter and importer don't know each other because of International border or distance letter of credit helps them to believe each other as two banks from the importer and exporter side takes the responsibility to pay to the exporter by the importers bank and also the exporters Bank ensure that the importer gets the product. The need of a L/C and to bank is obvious because of the international trade rules the law in each country e different trading custom and also some rules and regulation imposed by the government of both the exporting and importing country. Letter of credit helps the importer and also the exporter to believe each other and get what they wanted from each other. The importer is called the applicant and the exporter is called the beneficiary where the exporter's bank is called beneficiary bank and the importers bank is called applicant Bank. Both the way the bank keeps connection with each other by exchanging SWIFT message. In this process the both Bank take some charges as they are working on behalf of the importer and the exporter. Basically the applicant Bank ok it's more profit than the beneficiary bank because, if the applicant Bank imposes any discrepancy or refusal for any letter of credit they charges \$50 to \$100 and the charge is collected from the beneficiary. The L/C value can be changed by any amendment issued by the applicant Bank where the applicant and the beneficiary should be agreed on this amendment. Most of the time in issued amendment always increases the value of L/C but sometime the value of L/C decreases from the initial L/C.

Opening L/C Account: When two parties from foreign country agree to do a business or are purchase a product from beneficiary or exporter. The exporter provides a PI to the importer. Then the importer open an L/C account in a favorable Bank in his country which helps him to connect with the beneficiary or is nominated Bank. The applicant Bank sends a SWIFT message to the beneficiary Bank. In this message the applicant Bank mentions all the required documents, the value of the L/C, also from where the product should be shipped, how the product will come, what are the rules and regulation they are following from UCPDC-600, their local law, also the basic needed documents to collect the order from the customs of the applicant country.

Documents Preparation and Exchange: Then the beneficiary bank forwards this message to the beneficiary and the beneficiary prepares the documents as per as the L/C or SWIFT message has demanded.

Shipment: After that the beneficiary ships its order towards the importers country and the beneficiary Bank collect the documents from the beneficiary and checks it and after verifying this they send it to the applicant.

Discrepancy: When the applicant Bank analysis the documents and matches it with their L/C what they have demanded and if there is any kind of document missing or any kind of problem the applicant Bank gives discrepancy or refusal to the beneficiary bank. The beneficiary Bank forwards the Discrepancy message to the beneficiary and the beneficiary sends again the proper document or solve the problem what they mentioned in the discrepancy or the refusal message.

Acceptance: The beneficiary Bank gets acceptance on maturity date of payment from the applicant bank. The beneficiary bank pays the amount of L/C to the beneficiary after the maturity date.

Purchase: If the beneficiary wants the amount before the maturity date they have to purchase from there beneficiary bank. Where they have a certain amount of limit to purchase or take loan. After that the beneficiary bank purchases the amount at a certain percentage like 80% to 85% this percentage changes with the beneficiary and the relationship of the beneficiary with the bank.

L/C Settlement: After getting payment from the applicant bank the beneficiary bank pays the rest of amount to the beneficiary after taking it's all the service charges and all then the L/C is closed.

4.2 Types of Letter of Credit:

The function mentioned below is the basic knowledge about a L/C. But it's important to know there are several kinds of L/C which is used in different kind of markets for different issues and different kind of export and import.

- 1) Local L/C
- 2) Foreign L/C &
- 3) EPZ

4.3 Parties Involved in L/C

The applicant: The important who is importing anything from outside their country. Here the important has to contact with the exporter first and get a proforma invoice (PI), after that he has to apply for opening an LC to his countries Bank.

1) The Issuing Bank: The bank where the applicant opens L/C. In another way we can say the bank who issue the letter of credit is issuing Bank. Opening a L/C means having a contract with applicant.

2) The Advising Bank: the bank who receive the letter of credit from the issuing bank is called the advising Bank. Advising bank has to who advise the letter without any application and change is on its part.

3) The Beneficiary: The exporter who will export the product is the beneficiary. Another way we can say the party which is entitled to draw the payment under letter of credit is the beneficiary. The beneficiary has to present the document of payment under L/C.

4) The Confirming Bank: Basically the advising bank is called the confirming Bank. But sometimes when the beneficiary e is located in another location or has a connection with third Bank ok is called confirming bank confirms the L/C.

5) Reimbursing Bank: The bank which is nominated by the issuing Bank ok to issue negotiating Bank the reimbursement is referred as a reimbursing Bank. Documents needed against letter of credit the important document usually consists of documents which has to be e issued or shown when the beneficiary is sending it to the applicant. Bill of exchange: in this document the exporter instruct the imported and his bank ok to make payment to his nominated Bank. FB of exchange can be negotiated as its negotiable instrument and it's governed by the negotiable instrument act.

6) Invoices: for completing the documents of an LC there are many types of invoices needed and the invoices are given below:

- a) **Commercial invoice:** The commercial invoice always give the details of which goods and what amount of goods are being shipped to the import. There are some contents of a commercial invoice which has to be mentioned in the commercial invoice; details of goods shipped, detailed quantity of goods shipped, description of the goods, value of the goods, quality of the goods, detailed packing list and packing marks if any e. Trade terms like if FBO, CIF, CFR etc.
- b) **Proforma Invoice (PI):** Proforma Invoice is the tool by which imported opens a L/C and it contains all the particulars of commercial invoice and it is not evidence of sale.

7) Certificate of Origin: Certificate of origin declares the authentication of the product where the product was manufactured, the manufacturing company, the place where the product was manufactured, the country and purpose etc. The chamber of commerce of exporting country issues the certificate of origin.

8) Packing List: One of the most important document is packing list. Which contains price of packages, number of packages, gross wait, net weight of each unit, shipping company shipping mark etc. So that the exporter can identify his is product to the importer. This document makes easier to collect the goods by the importer.

4.4 Issuing a letter of Credit for Imports:

Every letter of credit or else should contain some terms and condition and information. This information can be like

- a) It demands minimum 15% charges.
- b) Insurance document issued by insurance company.
- c) Policy number and cover note of insurance document.
- d) The amount of import and the number of currency.
- e) Date and place of document expiry.
- f) Description of product and its quantity.
- g) The instruction for negotiation bank which have to be maintained by the exporter.
- h) Ending date for shipment.
- i) Authorization number of letter of credit or L/C.
- j) Import registration certificate number or IRC number.
- k) HS code for harmonized system code; mode of carrying Truck/Ship/Air.
- l) Name and address of the beneficiary.
- m) Advising bank name and its address.
- n) Details of applicant.
- o) Branch and bank details of advising Bank.
- p) Name and address of the applicant.
- q) Issuing Bank address and branch.
- r) Name of the negotiation bank with address if any.
- s) Opening date and number of L/C.
- t) Terms and condition about payment.
- u) Presentation period.
- v) Detailed description of landing port and discharge port.
- w) Detailed terms and condition regarding partial shipment or Tran's shipment.

Letter of credit related to import business:

- I) Food
- II) Chemical (Textile)
- III) Medical instruments
- IV) Electronic devices like UPS IPS cables etc.
- V) Computer, computer accessories and others.

4.5 Export L/C:

Bangladesh is one of the largest exporters of goods services and products than other countries like readymade garments, jute, vegetables, frozen foods, shrimps, Ilesha. Bangladesh also exports tea

in foreign countries. Exporting sector government sector is the largest sector of Bangladesh where it contributes more than 45% of total export. Our readymade garments are are exported to European countries and USA.

Formalities for export L/C:

After shipment and before shipment there are many formalities and huge number of works the exporter has to follow and full feel. Important export controls act 1950 is the countries regulated form for export trade.

ERC: Chief controller of import and export (CCI&E) from the ministry of commerce of Bangladesh is the authority to control the trade of export in Bangladesh. Without valid for export registration certificate from the ministry of commerce any exporter cannot export any goods unless there registered with CCI&E.

The EXP form: after getting registration from the ministry of commerce through chief controller of imports and exports the exporter applies for EXP certificate from the government of organization applying with trade license and ERC certificate.

Contract Signing: when the exporter and importer are agreed on a contract the following points have to be mentioned and followed by both the exporter and importer.

- a) Details of goods,
- b) Quantity and commodity of the commodity
- c) Price of the commodity
- d) Shipment
- e) Insurance and Marks
- f) Inspection and
- g) Arbitration

Registration for sale: when the export item is raw jute and jute made goods that need a registration for sales.

Shipment of goods: for exporting worshipping the exporter must have shown and give the following documents.

- 1) The form of EXP
- 2) Registration certificates photocopy
- 3) Contract photocopy.
- 4) Customs copy for ERF for jute made goods and EPC from raw jute.
- 5) Certificate for freight from the bank of payment it and the freight if the port of lading is involved.
- 6) Buy a receipt for truck challah and lading.
- 7) Instrument needed for shipping.

4.6 Import L/C:

Letter of credit is import L/C or export L/C is determine by the applicant and beneficiary, basically it's the perspective of looking from where you are looking towards it. When you are importing something the L/C is an import L/C for you and when you are expecting something its call export L/C for you. That means it's all the same but when, you are importing the L/C becomes and import L/C for you and the applicant bank, but when you are exporting the same L/C will be recognized as an export L/C for you and the beneficiary bank.

a) Revocable L/C / Irrevocable L/C:

A letter of credit is revocable or irreversible, it's determined by the nature of the L/C. if the importer or the applicant Bank can manipulate the L/C, change the L/C, make any correction or changes in the L/C without informing and getting permission from the beneficiary and the beneficiary Bank is call revocable L/C. But according to the rules of UCPDC 600 every L/C is irrevocable. But in current situation many L/C get changed, manipulated are being corrected by the applicant and the issuing Bank ok by giving amendment messages to the beneficiary bank. But before doing this the applicant and the issuing Bank must get permission to change or correct the L/C from the beneficiary or the beneficiary bank.

b) Confirmed / Unconfirmed L/C:

It is he being confirmed or a confirmed is recognized, when the applicant bank gets confirmation or guarantee from the beneficiary bank is it confirmed L/C. But when the applicant bank doesn't get any kind of confirmation or guarantee from the beneficiary bank is an unconfirmed L/C. That means being a guilty confirmed or and confirmed is fully dependent on the beneficiary bank whether they have accepted the L/C request or not.

c) Restricted / Unrestricted L/C:

If the importer sales the bill of exchange to the applicant Bank and beneficial Bank is not specified or confirmed on the L/C the seller or exporter can have the payment from any bank from his country. That means if the advising bank purchases the bill of exchange from the seller in case of restricted L/C, and the confirmation bank has not specified in the L/C; that means the seller can sell the bill of exchange to any bank in his country and get the paid on an unrestricted L/C.

d) Deferred L/C:

When a L/C is not recognized by in the applicant and the beneficiary bank after the presentation. But after a certain period of time the seller and buyer both have accepted the L/C, where the exporter allows the important to pay the amount after getting the good and selling them. That means the exporter is allowing the importer to have the good before paying the exporter and after selling the goods, the imported will pay to the exporter the amount they have agreed earlier. Any L/C can be differentiated from a Normal L/C buy some special conditions. This conditions differentiate normal L/C with this kind of special L/C. they are described below:

1) Sight L/C: Special kind of L/C where the announcer or applicant Bank pays to the exporter immediately, after inspecting the carriage documents from the seller or the beneficiary.

2) Red Clause L/C: When the seller can withdraw some prepaid money before sending the product which has been ordered by the importer. This is the part of credit where the main motive is to attract the attention of accepting bank. To get the attention of the offered Bank the first time of the credit is set by the assignor bank. This L/C is called red clause L/C because this term is written in red ink.

3) Back to Back L/C: When the seller is unable to provide the required goods to the importer because of any unknown reason. The buyer then issues another L/C by the applicant bank for another seller to get the expected good. Sometimes it can be the intermediaries who do not have any kind of supply documents by themselves then they create some small L/C against the large L/C. This is call deemed export. Then the intermediaries collects the documents and products from the small suppliers and deliver them to the main importer as a main supplier. So here we can see creating smaller L/C's against large L/C is called back to back L/C.

4.7 Transferability:

It is fully on the exporters mind if you wants to make the credit available to one or more subsequent beneficiaries for his own benefit. The credit is transferable when the original beneficiary or the exporter is the middle man who does not have any supply documents of himself he provides documents and goods to the importer by collecting them from small exporters of his own country. Where the small exporter acts like as a supplier to the original supplier or the exporter as they are selling their goods and documents to the middleman or the original beneficiary. The middleman are the only original beneficiary who acts like an importer which is called deemed export. Here the original exporter is importing goods or buying goods from small exporting companies or organization of his own country and getting his work done on behalf of the importer. And usually he issues back to back L/C for collecting expected goods which he will export to the applicant or the importer as an exporter. While he is playing a double role first of all he collects all the goods from deemed export as an importer and then he exports the all goods to the actual applicant as a beneficiary. There is another transferability of a letter of credit when the letter of credit is expressly stated that it's transferable then the beneficiary can transfer the L/C to another beneficiary, who will provide the goods to the importer or the applicant. However to keep the transferable letter of credit workable some reduced figure includes in the L/C which are:

- b) Amount
- c) Unit price of merchandise if it is written or stated
- d) Expiry date of the L/C
- e) Presentation Period of the goods
- f) New period for shipment are the latest shipment date from the applicant.

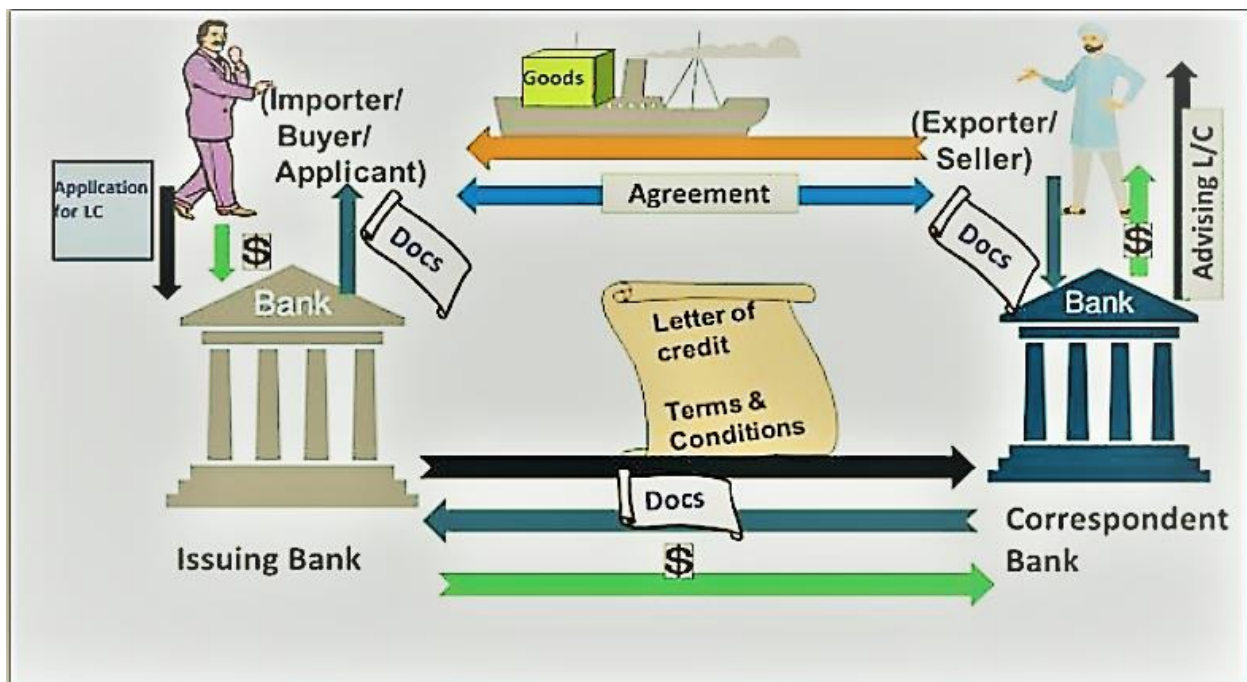
Operational function of Mercantile Bank limited on opening L/C: To open a L/C in Mercantile Bank there are some procedure which has to be strictly followed by the bank and the applicant. Without following these steps the branch cannot open L/C letter of credit and an applicant cannot apply for opening a L/C account. So, the operational function of Mercantile Bank limited on opening a L/C account is given below:

- a) **L/C opening application by the importer:** When a company agrees with another company from a foreign country to do trade or import product from another country. The importer company gets a PI from the exporting country. Then the importer applies to a local bank of his country to open an L/C account. In this process the applicant have to have a bank account on that particular bank, where he is asking to open a L/C account. He also has to provide all the needed documents and paperwork to prove that he is credible to open L/C account on this Bank.
- b) **Justifying credibility by Mercantile Bank limited:** After getting the application from the importer the applicant bank justifies the credibility of the importer from a credit report from Dun and Bradstreet or D&B Street Company. After getting the report the bank gives a rating to the applicant. And after that when, the rating point is satisfactory the bank let the applicant to open a L/C account on their branch.
- c) **Limit setting for the applicant:** Then the bank prepares a proposal for the head office or the board of directors of their bank to set a credit limit for the applicant by analyzing their credibility, asset, site visit report, bank statement and credit report from other banks.
- d) **Creating L/C:** After completing all the three steps mentioned earlier the applicant bank creates an L/C and forward it to the exporter's nominated bank as a SWIFT message. This message is called documentary credit or letter of credit or irrevocable documentary credit. In this message all the necessary instructions, needed documents, rules and regulations, do's and don'ts under UCPDC-600 are mentioned and expect to have a clean and clear back document from the exporter before the goods arrives to the importer.
- e) **Reply from beneficiary bank:** Then the beneficiary bank forwards this message to the beneficiary and the beneficiary prepares all the needed documents as per the L/C has demanded. Then these documents are submitted to the beneficiary bank after analyzing and scrutinizing these documents. The beneficiary Bank forwards this documents to the applicant Bank.
- f) **Reply from the applicant bank:** Now the beneficiary Bank replies with a SWIFT message which can be an acceptance, discrepancy or refusal message. If the message is an acceptance message the applicant bank will provide a maturity date for the payment of this L/C. If it is a discrepancy or refusal message the applicant bank will charge a certain amount of dollar against this message which can be \$20 to \$80. Also the applicant will

mention the reason for discrepancy or refusal of the L/C. After that the message is forwarded to the applicant and the applicant prepares all the documents again or make correction what they have made wrong with the previous message. The applicant Bank provides acceptance when they are convinced with the message and documents from beneficiary and the beneficiary bank.

- g) **Payment:** If these all steps are done properly and without any kind of mistake the applicant bank will make payment to the beneficiary Bank by Shadow account or directly by their correspondent Bank on that country. There is no question if the product is received or not by the applicant. The applicant bank has to pay if the maturity date has come. We know from the definition of L/C or letter of credit means taking responsibility and giving guarantee to pay the beneficiary and the applicant Bank. And ensure that he will be paid after he provides all the necessary goods that has been ordered by the applicant are the importer.

How an L/C Works:



Chapter-5

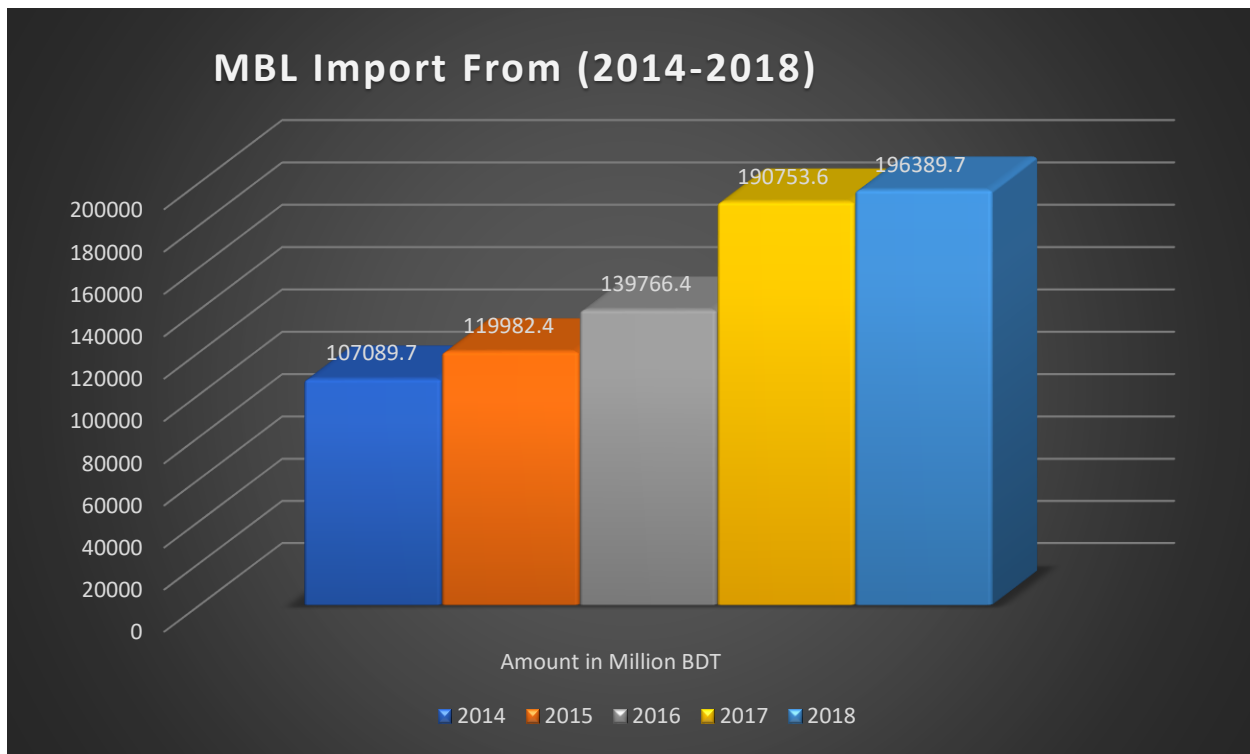
**Foreign Exchange
Analysis MBL**

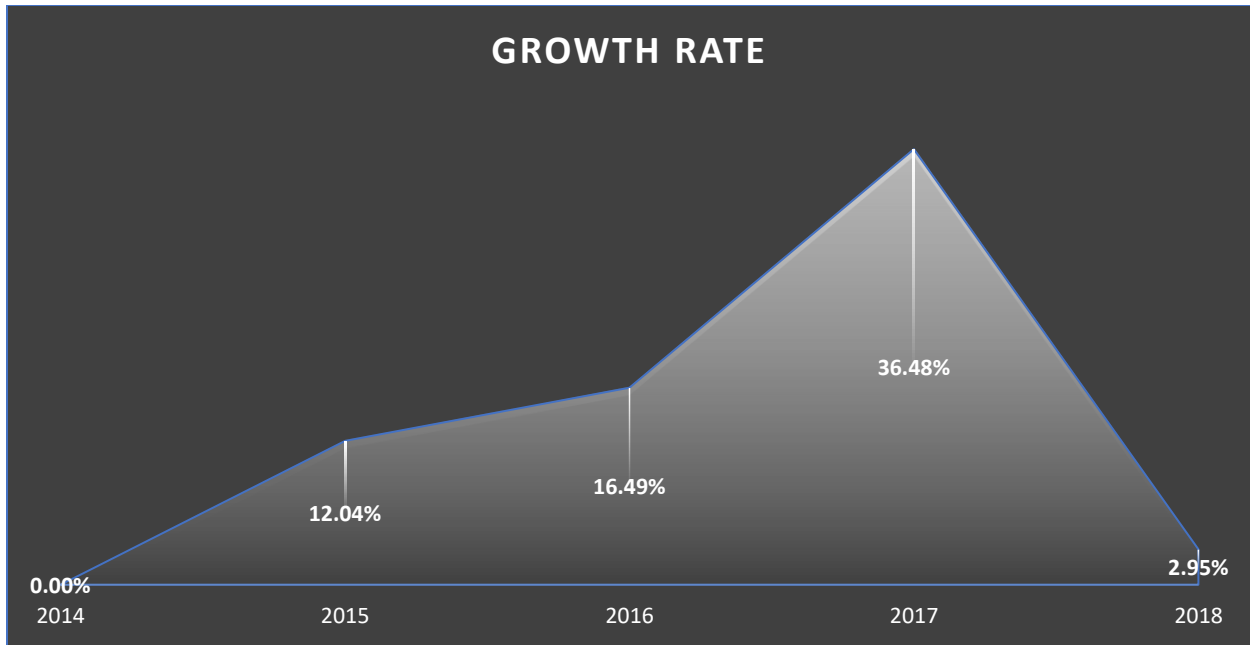
5.1 MBL Foreign Exchange Overall Performance & Overall FOREIGN EXCHANGE Position of MBL, ERB

Last 5 years Foreign Exchange Data is presented and analyzed here; Including Import, Export and Remittance of MBL from (2014-2015).

1) Import Position of MBL:

MBL Import From (2014-2018)		
Year	Amount in Million BDT	Growth Rate
2014	107089.7	
2015	119982.4	12.04%
2016	139766.4	16.49%
2017	190753.6	36.48%
2018	196389.7	2.95%

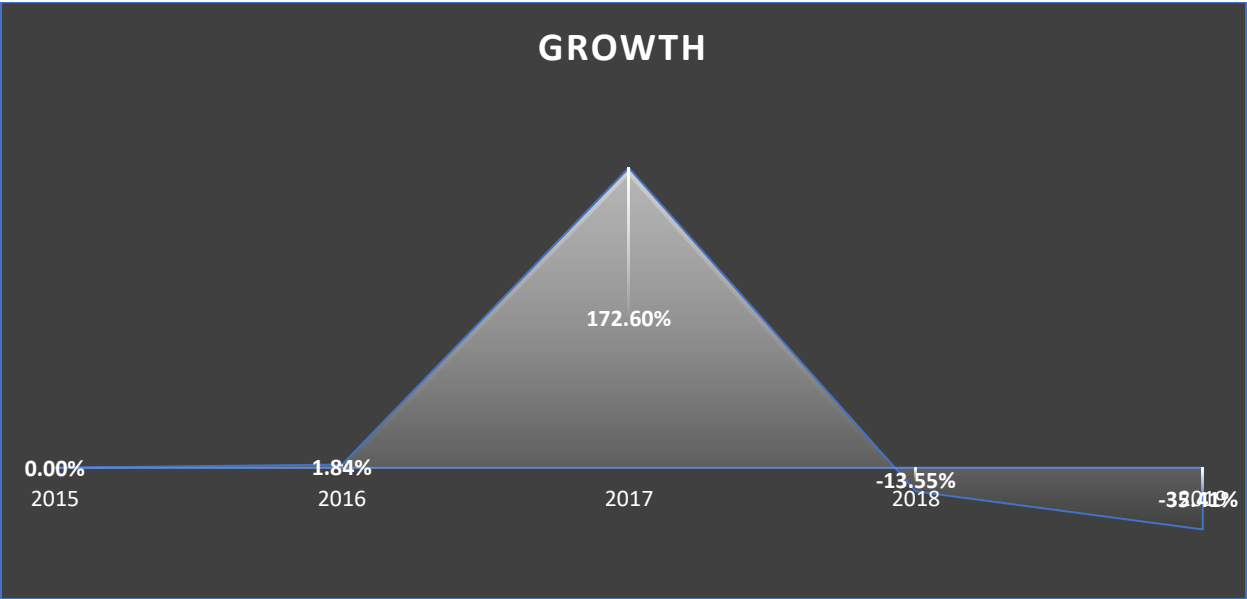
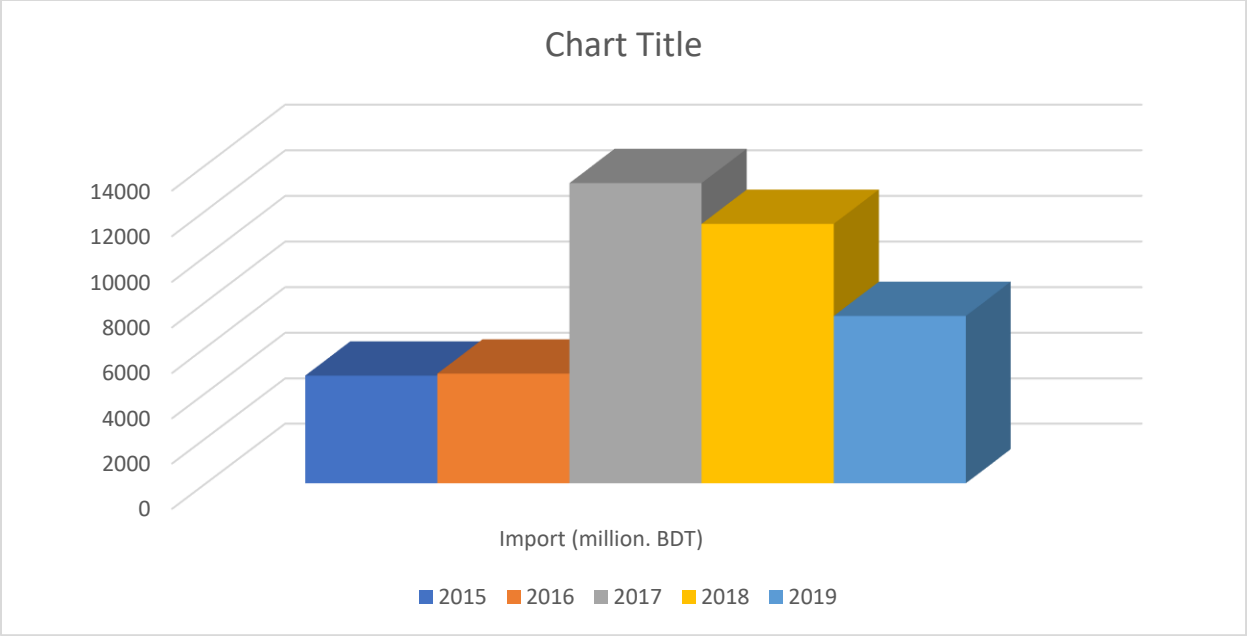




Analysis: From 2014 to 2018 in the import position of Mercantile Bank was increasing but the increase was not consistent which indicate the fluctuating growth rate in the import position of Mercantile Bank. Which is not a good sign as it shows anytime it can go down or the rate can decrease.

Import Position of MBL, ERB:

ERB, Import 2015-2019		
Year	Import (million. BDT)	Growth
2015	4752.9	
2016	4840.5	1.84%
2017	13195.1	172.60%
2018	11406.6	-13.55%
2019	7367.7	-35.41%



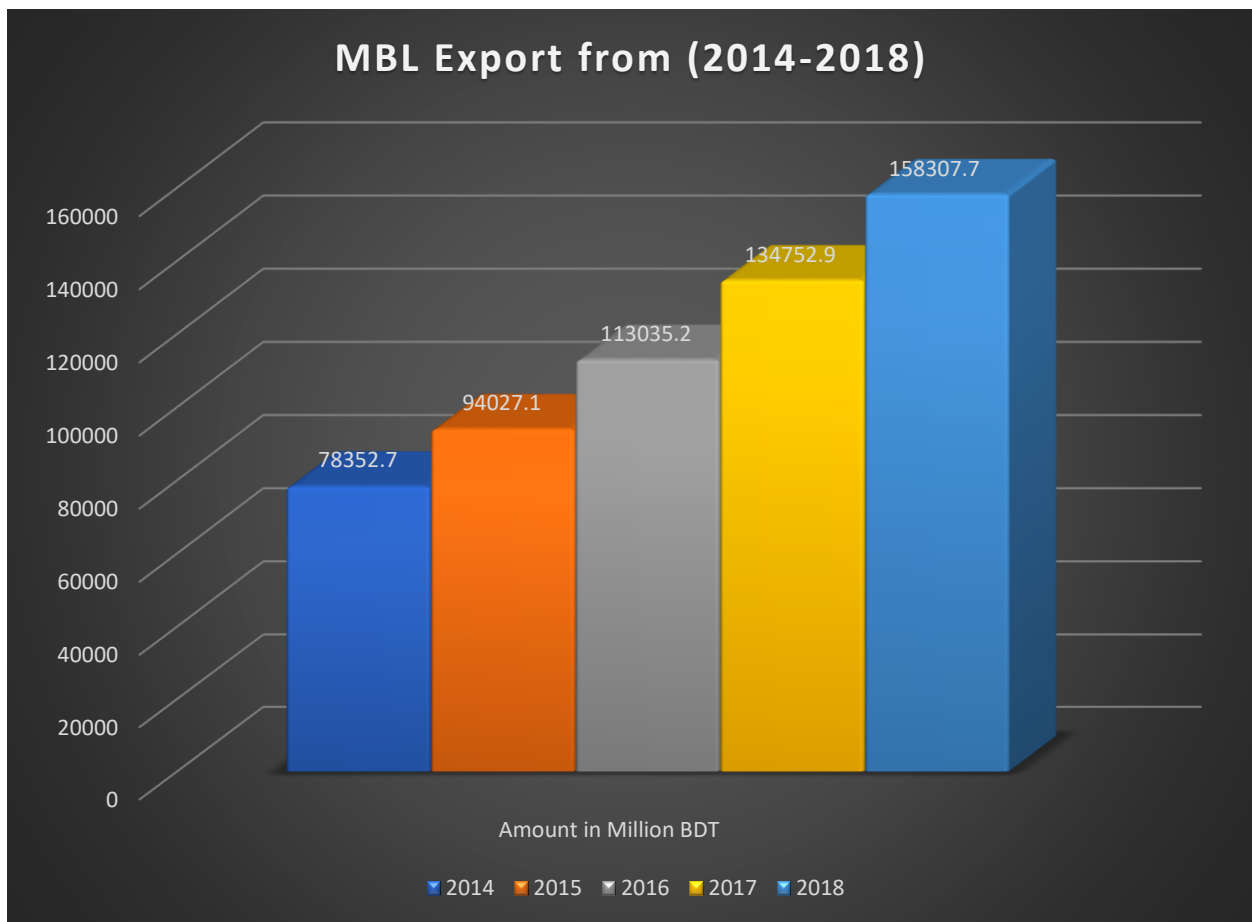
Analysis:

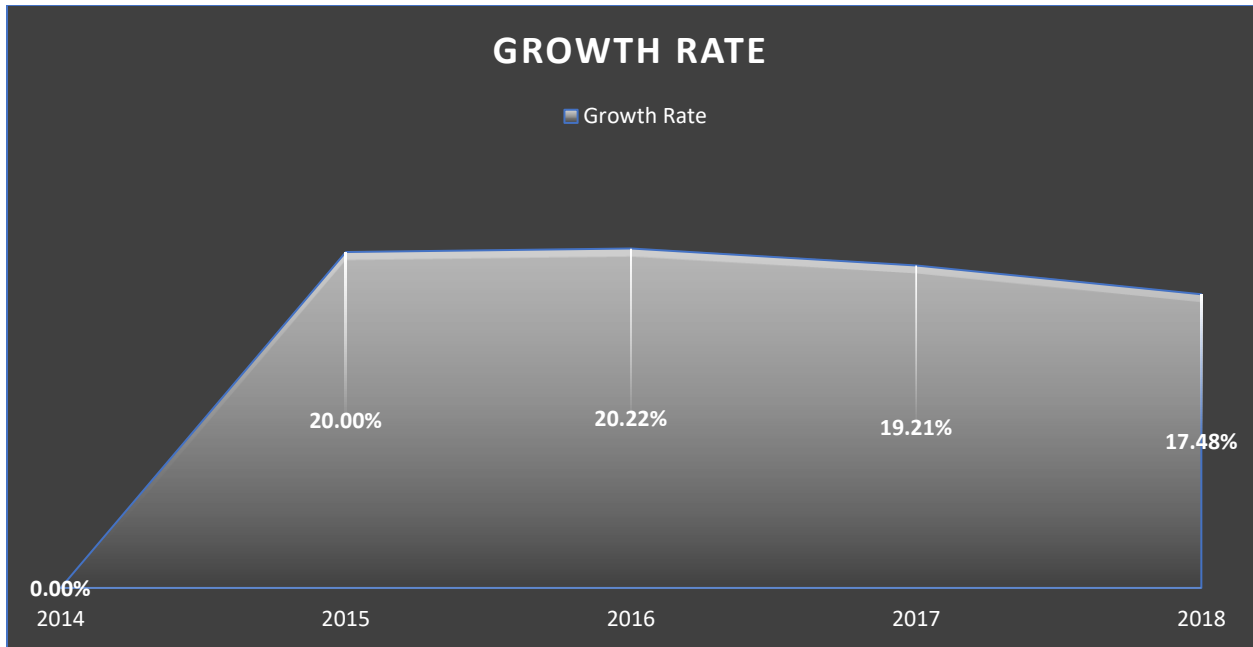
Here we can see the import Position got a growth of 1.84% in 1st year. Next year the growth is 172.60%, next year it decreased straight down to -13.55% and this year it has expected to grow negatively -35.41%.

2) Export position Of MBL:

MBL Export From (2014-2018)

Year	Amount in Million BDT	Growth Rate
2014	78352.7	
2015	94027.1	20.00%
2016	113035.2	20.22%
2017	134752.9	19.21%
2018	158307.7	17.48%



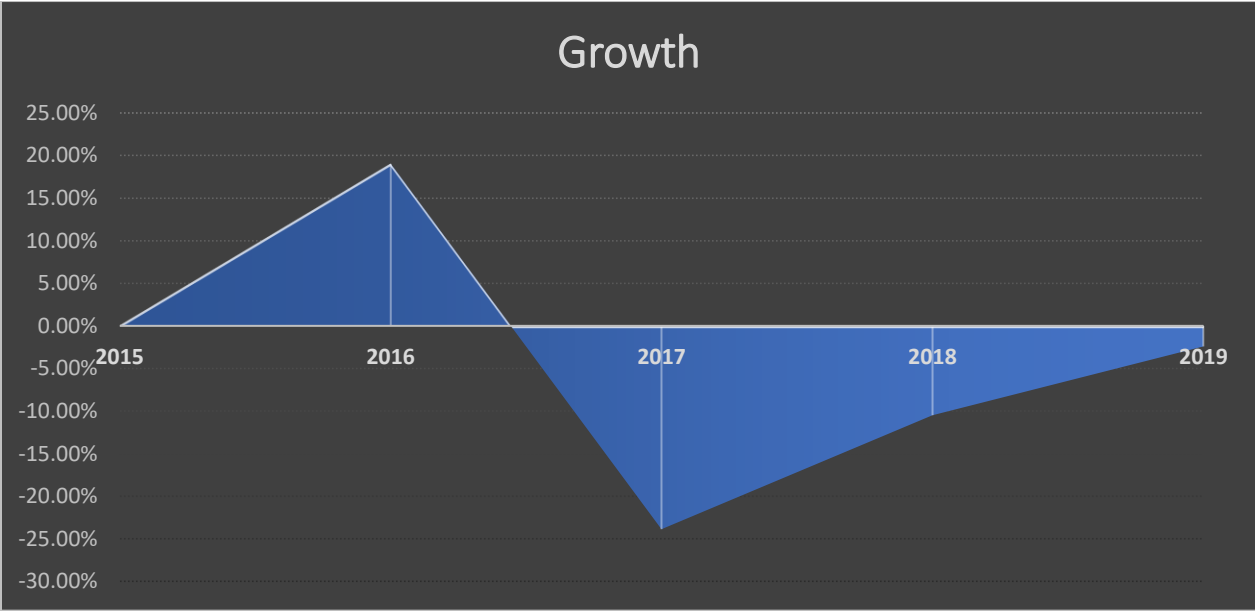
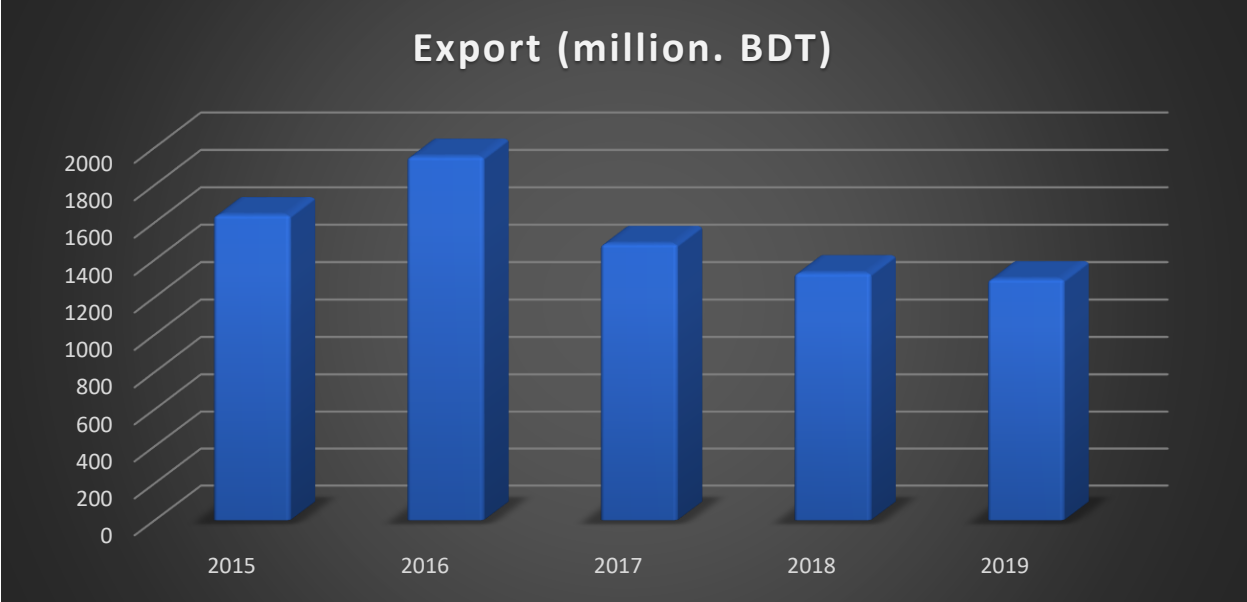


Analysis:

The Export position of Mercantile Bank is very much good than any other Banks as we can see the export amount has grown at a rate of mixed rate every year. It is a good sign for our economy and for Mercantile Bank. From the year of 2015 it was 20%, in 2016 it increased to 20.22%, in 2017 it declined to 19.21%, lastly in 2018 Mercantile Bank had a declining growth rate at 17.48%.

Export position Of MBL, ERB:

ERB, Export 2015-2019		
Year	Export (million. BDT)	Growth
2015	1640.7	
2016	1952.9	19.03%
2017	1486.5	-23.88%
2018	1330.2	-10.51%
2019	1297.9	-2.43%

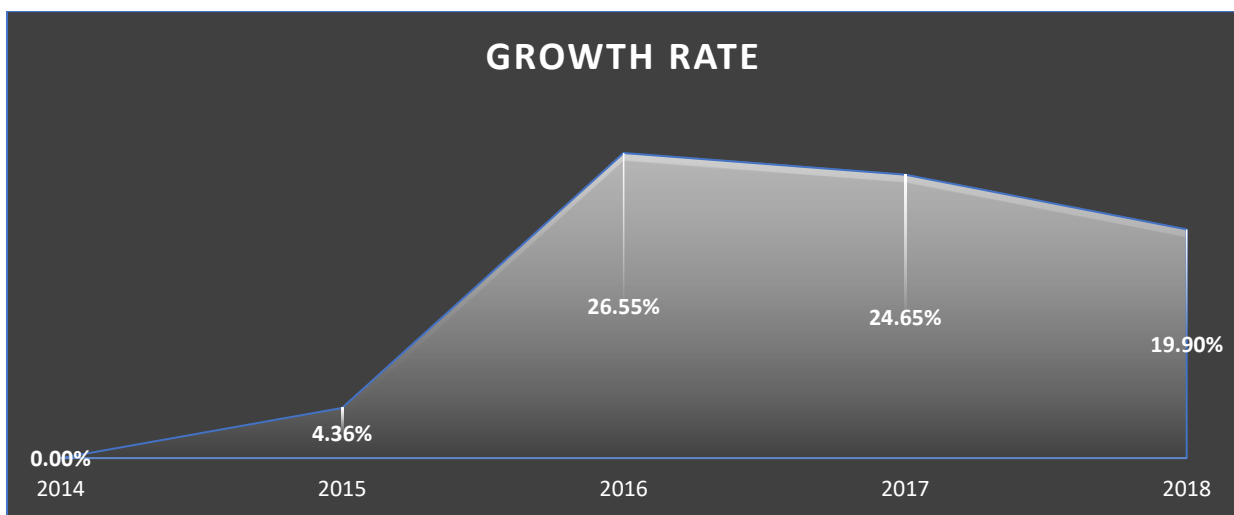
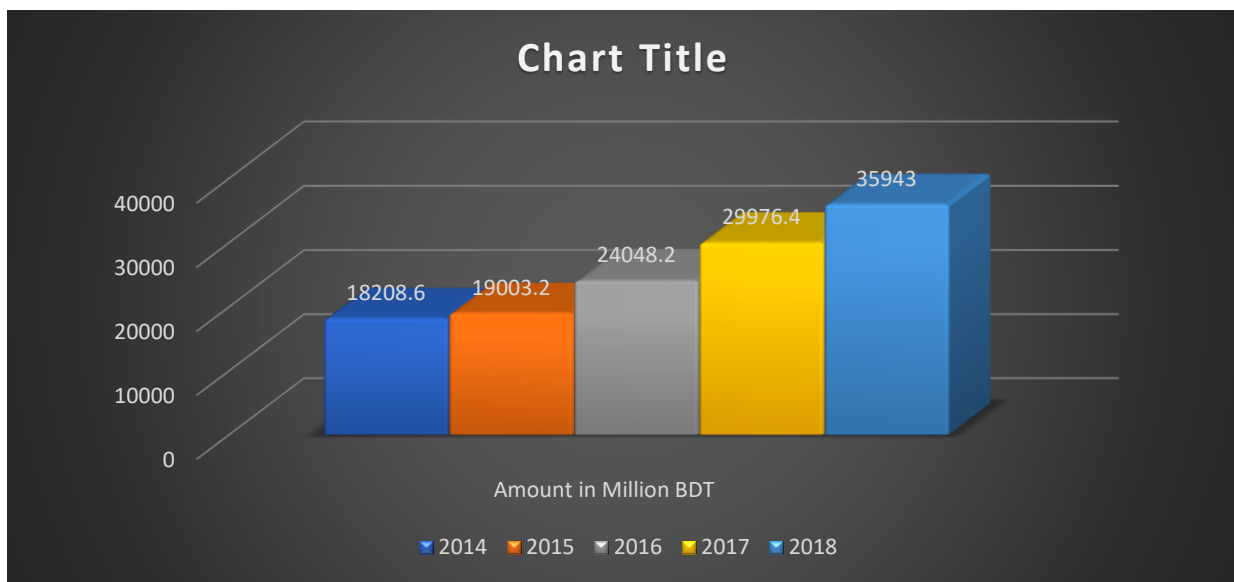


Analysis:

Here we can see in Elephant Road Branch the Export Growth was 20% in 2nd year, in 3rd year it decreased to -25% & 12.5%. this year it's expected to raised but kept its negative growth but this time it was low, this year it's expected to minimize to -2.43%.

3) Remittance position of MBL:

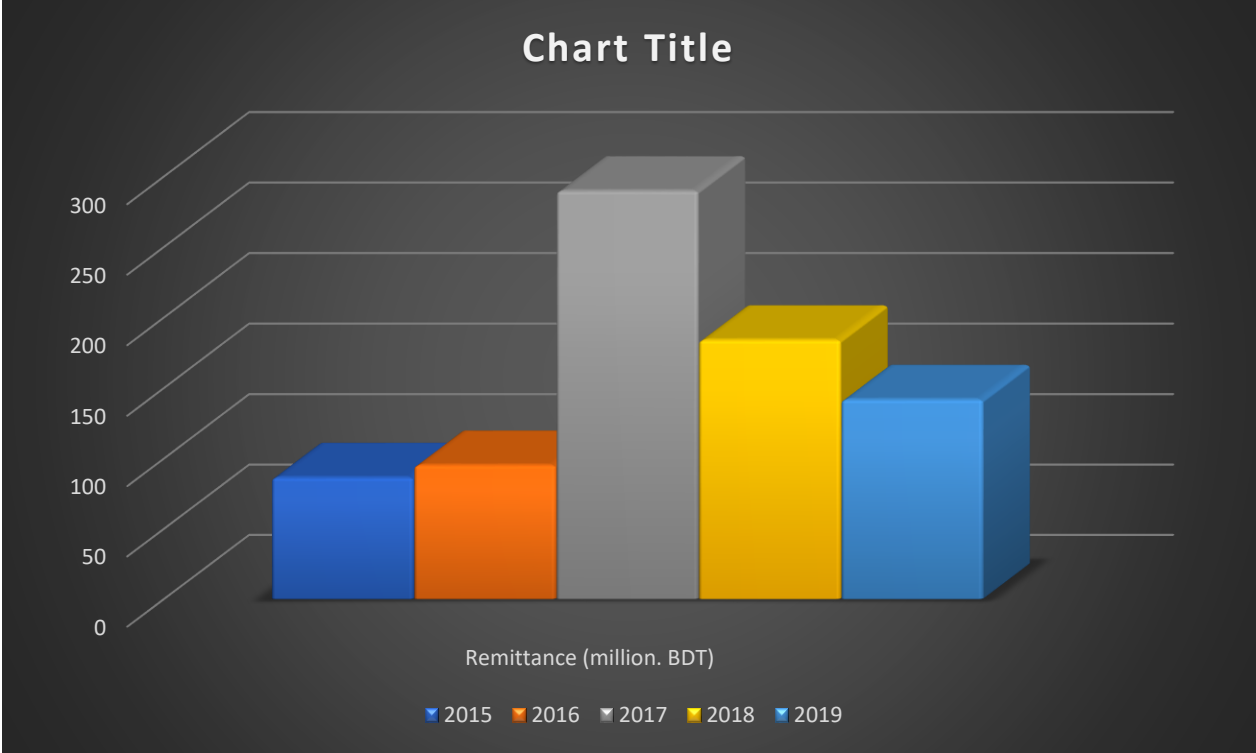
MBL Remittance From (2014-2018)		
Year	Amount in Million BDT	Growth Rate
2014	18208.6	
2015	19003.2	4.36%
2016	24048.2	26.55%
2017	29976.4	24.65%
2018	35943	19.90%

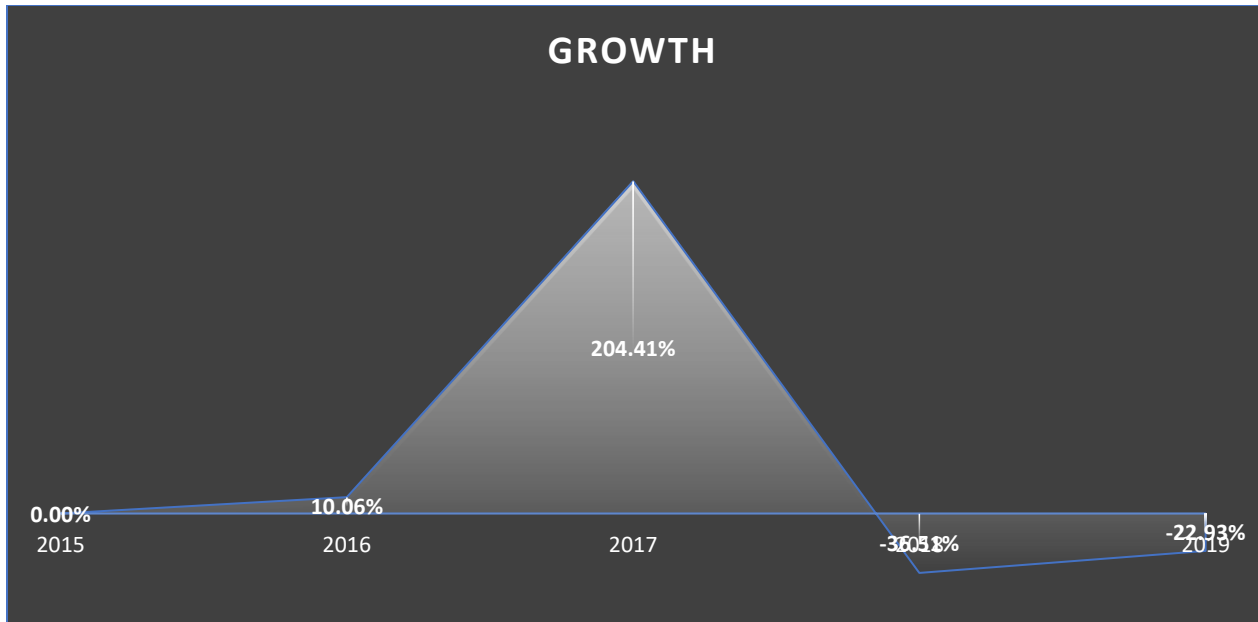


Analysis: In Remittance sector Mercantile Bank Limited has grown its productivity activity in a very good way as we can see in the yard of 2015 the Remittance amount growth by 4.36% from 2014 but after that, the increase rate went up significantly and from 2015 to 2018 the growth rate was 26.55% in 2016, 24.65% in 2017 and 19.90% in 2018 from previous years.

Remittance position of MBL, ERB:

ERB, Remittance 2015-2019		
Year	Remittance (million. BDT)	Growth
2015	86.5	
2016	95.2	10.06%
2017	289.8	204.41%
2018	184.0	-36.51%
2019	141.8	-22.93%



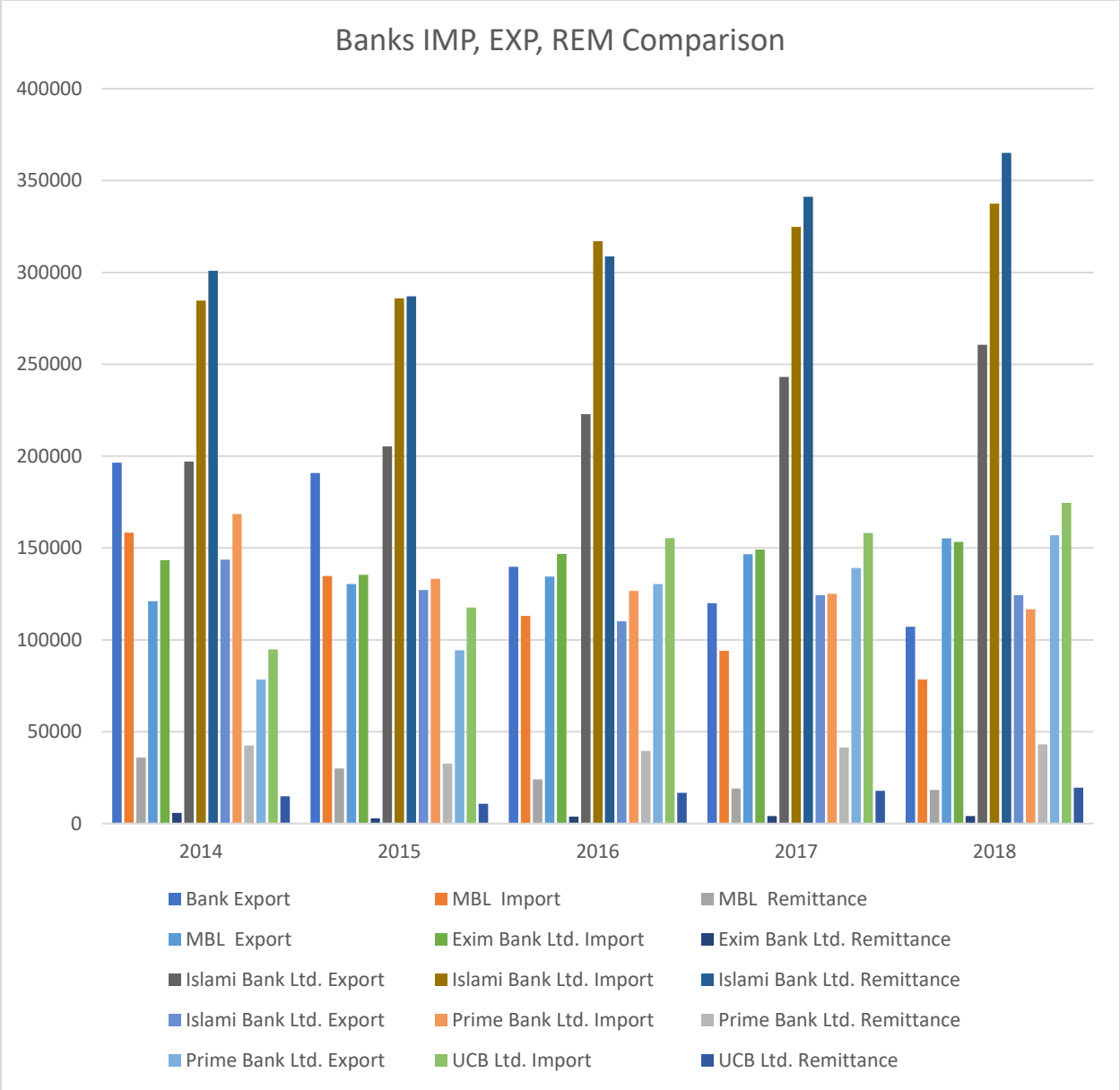


Analysis:

Here we can see in Elephant Road Branch the Export Growth was 10.06% in 2nd year it jumped to 204.41%. In 3rd year it decreased to -36.51%. This year it's expected to raised but kept its negative growth but this time it was low, this year it's expected to minimize to -22.93%.

5.2 Comparison of Foreign Exchange Data with some other banks:

YEAR (Taka in Millions)						
Bank		2014	2015	2016	2017	2018
	Export	196389.7	190753.6	139766.4	119982.4	107089.7
MBL	Import	158307.7	134752.9	113035.2	94027.1	78352.7
	Remittance	35943	29976.4	24048.2	19003.2	18208.6
	Export	120,996.90	130,353.32	134,412.44	146,540.48	155,164.67
Exim Bank Ltd.	Import	143,314.40	135,409.88	146,795.57	149,131.70	153,273.22
	Remittance	5,770.20	2,889.48	3,776.67	4,031.11	4,093.67
	Export	197,095.00	205,269.00	222,753.00	243,063.10	260,632.00
Islami Bank Ltd.	Import	284,588.00	285,890.00	316,971.00	324,806.30	337,412.60
	Remittance	300,915.00	286,956.00	308,722.00	341,126.30	364,979.80
	Export	143,612	127,091	110,096	124,228	124,228
Prime Bank Ltd.	Import	168,532	133,219	126,571	125,053	116,710
	Remittance	42,443	32,628	39,484	41,328	43,112
	Export	78,309.10	94,288.50	130,447.20	139,182.71	156,862.30
UCB Ltd.	Import	94,843.80	117,542.90	155,282.40	158,207.56	174,593.06
	Remittance	14,848.30	10,788.07	16,667.90	17,836.90	19,478.58



Analysis:

Here we can see Islamic Bank Bangladesh is holding the top position In the Import, Export and Remittance Sector, EXIM bank Limited is in 2nd position. Then MBL comes to 4th and then the other banks. From this graph we can see the growth rate of MBL is higher than prime bank in last 3 years and MBL is catching Exim bank with its Import, Export and Remittance value.

5.3 SWOT Analysis of MBL:

To be a solid contender in every industry you have to aware about your strength weakness opportunity and threats. Without knowing these any company can get down or any other company can pass through you by doing this analysis and performing mobile how to make pure analysis. Is there is 48 private banks in Bangladesh there is a strong competition in banking industry so market I'll bank has some strength weakness opportunity and threats I am going to discuss about this. Here this analysis is divided into two ways internal and external issues internal issues are strength and weakness external issues are opportunities and threats.

a) Strengths:

- a) High level customer service and customer feedback
- b) Providing highest interest in FDR from other banks
- c) Minimizing service charges with cutting minimum charges
- d) Highly trained employee and officials are making their customers confident.

b) Weakness:

- a) Employees are new and the bank is not that much older than the other private banks.
- b) The organization system and the power distribution is not well organized.
- c) Number of branches are not sufficient as the demand
- d) The number of branches are limited the number of employee workforce is Limited.
- e) The information facility and system is poor more than expected.
- f) The database update is not regular show the database is not updated.
- g) No sufficient number of ATM booths out there.

c) Opportunities:

- a) Starting online banking from the beginning.
- b) Creating and using available government support.
- c) Introducing new banking products like Islamic banking specialist banking and specialized instrument for women children and special child.
- d) Having a great evolution of e banking.
- e) Using latest and high information technology.

d) Threats:

- a) Today's banking sector is highly competitive with other banks.
- b) Scarcity of attractive and insufficient products.
- c) The communication system and telecommunication system of MBL is very much low quality.
- d) Profitability growth is very slow because the list the bank is getting interest the less it's providing or giving to the bank.

Chapter-6

Findings and Recommendations

6.1 Findings:

Mercantile Bank limited one of the banks of 48 private banks in Bangladesh. Mercantile Bank started its journey from 1999 since then it has passed 20 years with successful operation. When we look at the other banks who are working in Bangladesh more than 20 years it seems Mercantile Bank has less experience and they are quite behind from them. As we can see from the analysis of Foreign Exchange market is like Bank Limited is dominating the whole market single handedly. There are some rules and regulation for private banks in Bangladesh which can help a bank to get more customers and response from the customers. Also there are some rules which enables customers to choose their own choice based on the performance of the bank. In our country most of the people doesn't even know about Foreign Exchange, and what it means so it's very important to make the people aware about Foreign Exchange, its possibilities and the facilities of Foreign Exchange. As I have worked 3 months in Mercantile Bank elephant Road Branch. I have tried to find out the problems and also the opportunities which can help the bank more and more to achieve its goal and become one of the best in Bangladesh. Here are my findings given below. As Mercantile Bank operates Foreign Exchange separately from general banking and credit division.

Import: Mercantile Banks Import was increasing in a great rate but suddenly the rate decreased 33.5% (From 36.48% to 2.95%) Reasons and my observations are

1. Lost some big importers who were dealing with them since the beginning of MBL FOREIGN EXCHANGE.
2. Govt. of BD encouraging Export and importing is decreasing since then.
3. Government has Imposing higher rate of Tax on importing any kind of finished good.
4. Most of its Customers are finished goods Importer.
5. Only 30-40% Importer Customers Imports Raw materials.
6. Lack of manpower.

Export: Mercantile Banks Export growth was fixed to 20%. But last 2 years growth rate has been decreased 2%-3%. My observations are.

1. As the Banks maximum customers are importers and The Export size is not increasing but decreasing as the govt. is giving license to 3 / 4 banks in last 3 years
2. Not having enough manpower to meet the demand of foreign Export.
3. Focusing on Deem Export inside the country.
4. Not having any kind of Special policy or features for the Exporters.
5. Most of the exporters are raw material suppliers.

Remittance: Constantly Mercantile banks Remittance growth rate is decreasing in last 3 years.

1. Digital remittance services like MoneyGram, RIA, and Western Union etc.
2. Not providing any kind of special services or offers for our Foreign Labors who provides almost the full remittance amount of our countries economy.
3. Not enough manpower to provide services to the customer.
4. Don't have proper management system and a fixed framework for Remittance.

6.2 Recommendations:

After analyzing the findings we can give these recommendations for MBL which can increase their Profitability, position and popularity in the market.

Import:

1. MBL should increase the number of Importers, who Imports Raw materials.
2. They can encourage their customers for going for Manufacturing.
3. Bank should provide special facilities and services for importing Raw materials.
4. Bank can Increase its Employees and providing them Proper training and latest information.

Export:

1. MBL can provide special services and better support in Exporting.
2. Bank should increase manpower with proper training and support.
3. Bank can encourage foreign Export rather than looking for Deem export.
4. They should prepare and follow a proper framework with rules regulations which is helps and encourages the exporters.

Remittance:

1. The Bank can help the customers with less and simple rules like digital services.
2. Bank should Increase its manpower and providing them proper training.
3. MBL should furnish the remittance section with enough and trained peoples and equipment's.
4. Bank can follow special rules and provide special services for foreign remittance provider.

Chapter-7
Conclusion
& References

7.1 Conclusion:

Mercantile Bank is one of the emerging and dynamic Bank in Bangladesh's banking sector. As they are getting much older day by day and being experienced, they are upgrading and making the banking system new in look and its employers training program. The customers are being convinced by their service and quality, the demand of Mercantile Bank is going up and up day by day. During these years Mercantile Bank has opened many branches all over the country and they're introducing new banking policies for the customers. The employer and the bank price it's best to give the best service to its customer and to serve the society. From the beginning of private banking in Bangladesh people we're not believing and having faith on private Banks. Where Mercantile Bank has proved its wrong with their services and customer response from the beginning and till now. In my three months working experience I have faced some problems, but I have enjoyed my work a lot the environment, the employees, their behavior and the approach towards its customer and to me. I have learned a lot of things with corporate culture and how to handle customers. This experience have I'm greeted my confidence and practical knowledge about my future job and duty.

This experience and knowledge cannot be gathered in sitting in a classroom or studying a book. As I have worked mostly in the Foreign Exchange department but I have also experienced the general Banking and investment department which gave me more confidence, to improve my behavior, knowledge and approach towards my future challenges. I think this is one of the most prestigious and highly reputed private Bank in Bangladesh and Bangladeshi banking sector. The employees were very friendly and helpful to me, and also I have seen two more intern in between my internship they have just started and the employee's behavior with them was same like me. The interest rate is favorable for lawn takers and the interest rate is also good 4 Depot stores in this bank the transition process is very modest mood in this bank the customers who is having an account or any kind of facilities with them are very much satisfied with the service and I think the future customers will feel the same behavior and approach towards them but better than now. From this report we can say Mercantile Bank limited is operating very much well and it will improve day-by-day and they're working hard to improve their performance and profitability.

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