

**Foreign Trade Operations
of
Shahjalal Islami Bank Ltd.**



Foreign Trade Operations of ShahjalalIslamiBank Ltd.

Prepared For:

Dr. Ahmed FakhruAlam

Professor, Department of Marketing

Daffodil International University

Prepared By:

Mukshitu Mobin Jishan

ID: 053-11-995

April, 2014

CERTIFICATE OF APPROVAL

I am pleased to certify that the Internship Report on "Foreign Exchange Operations" of Shahjalal Islmi Bank Bank Ltd. Bangladesh conducted by Mukshitu Mobin Jishan, ID:053-11-995 of the Department of Business Administration has been approved for presentation and defense/viva-voce. Under my supervision Mukshitu Mobin Jishan worked with Shahjalal Islami Bank Ltd. as an Intern. He completed the work during the Fall 2013 semester.

I am pleased to certify that the data and findings presented in the report are the authentic work of Mukshitu Mobin Jishan. I strongly recommend to be presented by Mukshitu Mobin Jishan for further academic process.

I wish his success in life.

(Professor Dr. Ahmed Fakrul Alam)

Department of Business Administration

Daffodil International University

Uttara, Dhaka

LETTER OF TRANSMITTAL

June, 2014

Dr. Ahmed FakhruAlam

Professor, Department of Marketing

Daffodil International University

Dear Sir,

With due respect, I am submitting my internship report on “Foreign Trade of Shahjalal Bank Ltd.”.

I have given my every effort in preparing this report and it was a wonderful experience for me to work with this topic. I shall be grateful if you kindly accept this report. I will be ready to answer any queries on this report.

Sincerely Yours,

Mukshitu Mobin Jishan

ACKNOWLEDGEMENT

Preparing such a report is always difficult for a new research student like me. First of all, I would like to show my gratitude to almighty Allah for His kind help to finish this report.

Then my heartiest gratitude goes to my guide Dr. Ahmed Fakhru Alam for his constant guidance and help, which made things easier to me.

I wish to express my sincerest gratitude to my supervisor in Shahjalal Islami Bank Ltd., Md. Mostafizur Rahman, for giving valuable encouragement and thoughtful suggestions for completing this report.

Finally, I wish to thank my family and all my colleagues of Shahjalal Islami Bank Ltd. for their cordial cooperation in preparing this report.

DEDICATION

This report is dedicated to my parents.

ABSTRACT

This report covers a thorough analysis about the foreign exchange division of ShahjalalIslami Bank Ltd. First part of this report is about the organization, followed by the details of foreign exchange division.

Foreign Exchange Division plays significant roles through providing different service for the customers. Letter of Credit is the key player in the foreign exchange business. With the globalization of economies, international trade has become quite competitive. Timely payment of exports and quick delivery of goods is, therefore, a pre-requisite for success of international trade operation. To ensure this purpose ShahjalalIslami Bank Ltd. transmits through SWIFT to the advising bank.

Problems identified in Foreign Exchange Division are inadequate human resources, excessive workload, low salary relative to other private bank, insufficient knowledge about IT and English, lack of database networking in information technology system and space shortage. By knowing these, it may be possible to further improve the condition of Shahjalal Bank Ltd.

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ACRONYMS

SJIBL	ShahjalalIslami Bank Ltd.
OIC	Orgnization of Islamic Conference
CAMEL	Capital, Asset, Management, Earnings and Liquidity
MBO	Management By Objective
CSR	Corporate Social Responsibility
IERB	Islamic Economies Research Bureau
BIBA	Bangladesh Islami Bankers Association
IFIL	Finance and Investment Limited
AC	Al – Wadiah Current Deposit
MSD	Mudarabah Saving Deposit
SND	Short – Notice Deposit
L/C	Letter of Credit

GLOSSARY

Shariah = Islamic law

al-wadiah = safe keeping

bai'muajjal = deferred-payment sale

bai'salam = pre-paid purchase

baitul mal = treasury

fiqh = jurisprudence

ijara = leasing

mudaraba = profit-sharing

mudarib = entrepreneur-borrower

muqarada = mudaraba

murabaha = cost-plus or mark-up

musharaka = equity participation

qardhasan = benevolent loan (interest free)

qirad = mudaraba

rabbul-mal = owner of capital

riba = interest

Chapter 1: Introduction

Origin of the Study:

This report originated as an academic requirement of BBA Program of Daffodil International University. After completion of the degree program, a student must submit the report on the assigned topic to the Supervisor and the department. The program was three months long. I was assigned at Shahjalal Islamic Bank Limited, Uttara Branch in the Foreign Exchange Division to complete the internship program.

Objective of the Study:

The main objectives of the study are:

- To have a practical learning experience of the real world before entering into the job market
- To fulfill the requirement for the completion of BBA program.

The secondary objectives of this report are:

- To have an insight about the general banking activities of a bank.
 - To know about ShahjalalIslami Bank Limited (SJIBL) operational activities which is based on IslamiShariah.
 - To know about Foreign Exchange operation of SJIBL.
-

Limitations of the Study:

During the study, I have faced the following limitations:

- Three months' time was not enough for such an extensive study. It is very difficult to collect all the required information in such a short period.
- Due to some legal obligation and business secrecy banks are reluctant to provide information. For this reason, the study limits only on the available published information and certain degree of formal and informal interview.

Chapter 2: Literature Review

What is Islamic Banking?

Islamic banking is banking based on Islamic law (Shariah). The rules and practices of this came from the Quran and the Sunnah, and other secondary sources of Islamic law such as opinions collectively agreed among Shariah scholars.

The General Secretariat of the Organization of Islamic Conference (OIC) in its Foreign Ministers Conference held in Senegal in 1978 approved the definition of Islamic Bank as “*a financial institution whose statutes rules and procedures expressly state its commitment to the principles of Islamic Shariah and to the banning of the receipt and payment of interest on any of its operations*”.

Objectives of Islamic Banking:

The objective of Islamic Banking is not only to earn profit, but to do good and bring welfare to the people, Islam upholds the concept that money, income and property belong to Allah and this wealth is to be used for the good of the society.

Islamic Banks operate on Islamic principles of profit and loss sharing and other approved modes of Investment. It strictly avoids interest which is the root of all exploitation and is responsible for large scale inflation and unemployment.

An Islamic Bank is committed to do away with disparity and establish justice in the economy, trade, commerce and industry; build socio-economic infrastructure and create employment opportunities.

Islamic Banking Movement Throughout the world:

The expansion and unfolding of Islamic banking along with traditional interest based banking is a recent phenomenon. Islamic banking is an inseparable part of Islamic economy. During fifties it was only a subject matter of research and was limited to the writings of scholars and philosophers. During the sixties actual experiments were made and in the seventies Islamic banking institutions started gaining strength. The eighties and nineties are and the period of consolidation and now Islamic banking is coming up as the only welfare banking system of the modern world.

The first modern experiment with Islamic banking was undertaken in Egypt under cover, without projecting an Islamic image, for fear of being seen as a manifestation of Islamic fundamentalism. The pioneering effort took the form of a savings bank based on profit-sharing in the Egyptian town of MitGhamr in 1963. This experiment lasted until 1967, by which time there were nine such banks in the country. These banks, which neither charged nor paid interest, invested mostly by engaging in trade and industry, directly or in partnership with others, and shared the profits with their depositors. Thus, they functioned essentially as saving- investment institutions rather than as commercial banks. The Nasir Social Bank, established in Egypt in 1971, was declared an interest-free commercial bank, although its charter made no reference to Islam or Shariah (Islamic law).

In the seventies, changes took place in the political climate of many Muslim countries so that there was no longer any strong need to establish Islamic financial institutions under cover. Islamic Development Bank (IDB) was established in 1975. A number of Islamic banks came into existence in the Middle East, e.g., the Dubai Islamic Bank (1975), the Faisal Islamic Bank of Sudan (1977), the Faisal Islamic Bank of Egypt (1977), and the Bahrain Islamic Bank (1979), to mention a few. The Asia-Pacific region was not oblivious to the winds of change. The Philippine Amanah Bank (PAB) was established in 1973. Islamic banking made its debut in Malaysia in 1983. . Pakistan declared all banks as Islamic in 1978 and Iran declared in 1984.

Reference should also be made to some Islamic financial institutions established in countries where Muslims are a minority. There was a proliferation of interest-free savings and loan societies in India during the seventies. The Islamic Banking System (now called Islamic Finance House), established in Luxembourg in 1978, represents the first attempt at Islamic banking in the

Western world. There is also an Islamic Bank International of Denmark, in Copenhagen, and the Islamic Investment Company has been set up in Melbourne, Australia. As of today, more than 300 Islamic financial institutions in about 50 countries operation throughout the world covering both Muslim and non- Muslim countries of various socio economic environment.

Islamic Banking Movement in Bangladesh:

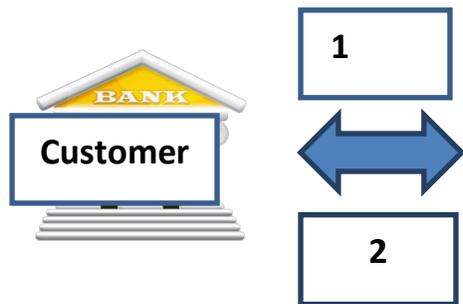
In August 1974, Bangladesh signed the charter of Islamic Development Bank and committed itself to reorganizing its economic and financial system as per Islamic Shariah. Bangladesh government subscribed recommendation of Islamic Foreign Minister's conference held in Senegal in 1978 regarding systematic efforts to establish Islamic banks in the member countries gradually.

Two professional bodies Islamic Economies Research Bureau (IERB) established in 1976 and Bangladesh Islami Bankers Association (BIBA) established in 1980 made significant contributions towards introduction of Islamic banking in the country. They came forward to provide training on Islamic banking to top bankers and economists to fill-up the vacuum of leadership for the future Islamic banks in Bangladesh.

In 1983, the first Islamic bank was established in Bangladesh. At present, in Bangladesh, out of 48 banks, 6 full-fledged Islamic Banks and 21 Islamic Banking branches of 10 conventional banks, have been working in the private sector on the basis of Islamic Shariah. Alongside, one non-bank Islamic financial institution named 'Islamic Finance and Investment Limited' (IFIL) has also been operating in the system as Islamic NBFi since 2001 (Sarker, n.d).

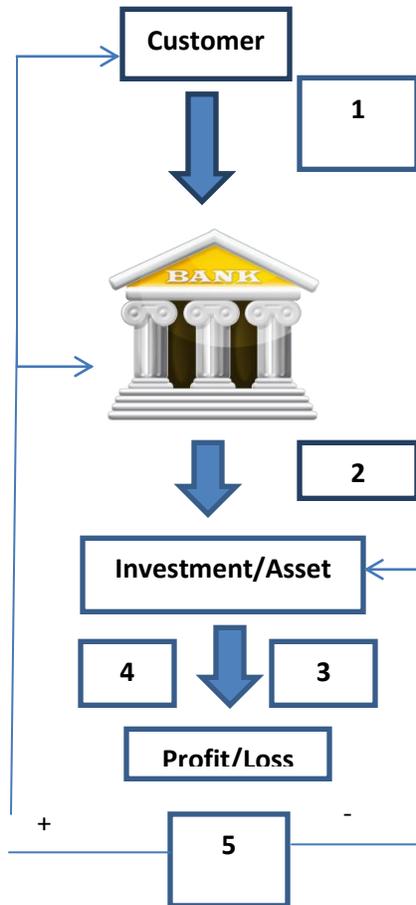
Shariah concepts in Islamic banking:

Wadiah (Safekeeping):Wadiah means custody or safekeeping. In a Wadiah arrangement, a person will deposit cash or other assets in a bank for safekeeping. The bank guarantees the safety of the items kept by it. Here is how it works:



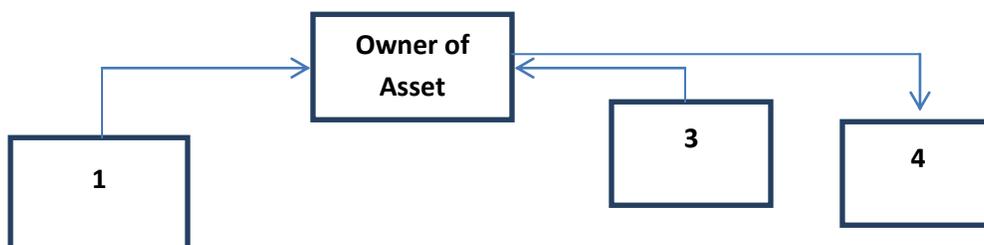
- 1) Customers place money in a bank and the bank guarantees to return the money to you.
- 2) Customers are allowed to withdraw the money anytime.
- 3) Bank may charge the customer a fee for looking after the money and may pay hibah (gift) to the customer if it deems fit.
- 4) This concept is normally used in deposit-taking activities, custodial services and safe deposit boxes.

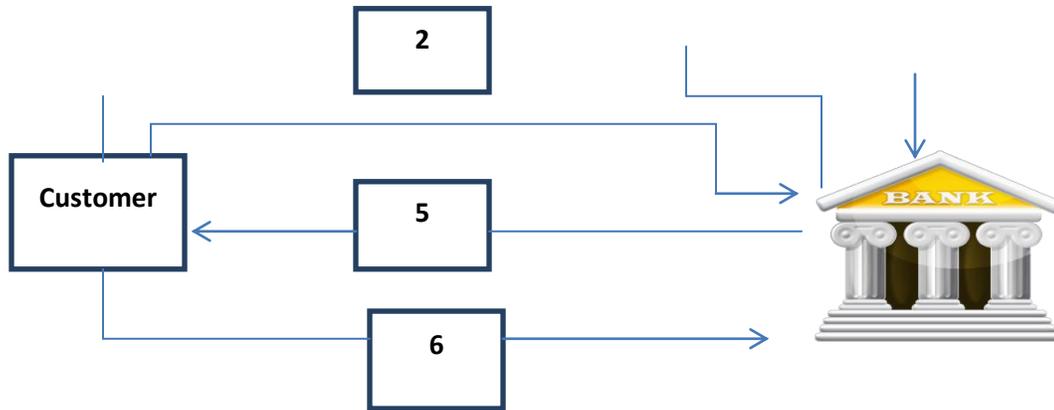
Mudharabah (Profit sharing): Mudharabah is a profit sharing arrangement between two parties, that is, an investor and the entrepreneur. The investor will supply the entrepreneur with funds for his business venture and gets a return on the funds he puts into the business based on a profit sharing ratio that has been agreed earlier. The principle of Mudharabah can be applied to Islamic banking operations in 2 ways: between a bank (as the entrepreneur) and the capital provider, and between a bank (as capital provider) and the entrepreneur. Losses suffered shall be borne by the capital provider.



- 1) Customer supplies funds to the bank after agreeing on the terms of the Mudharabah arrangement.
- 2) Bank invests funds in assets or in projects.
- 3) Business may make profit or incur loss.
- 4) Profit is shared between customer and bank based on a preagreed ratio.
- 5) Any loss will be borne by the customer. This will reduce the value of the assets/ investments and hence, the amount of funds customer have supplied to the bank.

Bai' Bithaman Ajil – BBA (Deferred payment sale): This refers to the sale of goods where the buyer pays the seller after the sale together with an agreed profit margin, either in one lump sum or by installment.



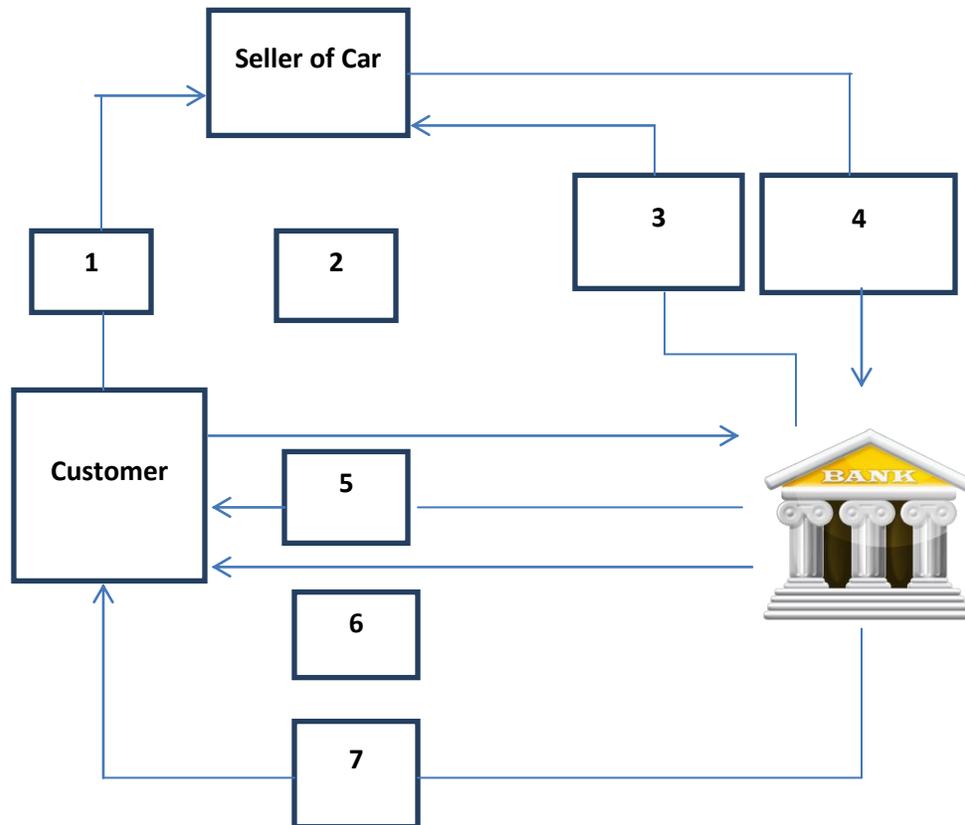


- 1) Customer picks an asset he/she would like to buy.
- 2) Customer then ask the bank for BBA and promise to buy the asset from the bank through a resale at a mark-up price.
- 3) Bank buys the asset from the owner on cash basis.
- 4) Ownership of the goods passes to the bank.
- 5) Bank sells the goods, passes ownership to the customer at the mark-up price.
- 6) Customer pays the bank the mark-up price in installments over a period of time.

Murabahah (Cost plus): As in BBA, a Murabahah transaction involves the sale of goods at a price which includes a profit margin agreed by both parties. However, in Murabahah, the seller must let the buyer know the actual cost for the asset and the profit margin at the time of the sale agreement.

Musarakah (Joint venture):In the context of business and trade, Musarakah refers to a partnership or a joint business venture to make profit. Profits made will be shared by the partners based on an agreed ratio which may not be in the same proportion as the amount of investment made by the partners. However, losses incurred will be shared based on the ratio of funds invested by each partner.

IjarahThummaBai' (Hire purchase): IjarahThummaBai' is normally used in financing consumer goods especially motor vehicles. There are two separate contracts involved: Ijarah contract (leasing/renting) and Bai' contract (purchase). Here is how it works:



- 1)The customer picks a car he/she would like to have.
- 2) Customer asks the bank for Ijarah of the car, pay the deposit for the car and promise to lease the car from the bank after the bank has bought the car.
- 3) Bank pays the seller for the car.
- 4) Seller passes ownership of the car to the bank.
- 5) Bank leases the car to customer.
- 6) Customer paysIjarah rentals over a period.
- 7) At end of the leasing period, the bank sells the car to customer at the agreed sale price.

Wakalah (Agency): This is a contract whereby a person (principal) asks another party to act on his behalf (as his agent) for a specific task. The person who takes on the task is an agent who will be paid a fee for his services. Example: A customer asks a bank to pay someone under certain terms. The bank is therefore the agent for carrying out the financial transaction and the bank will be paid a fee for its services.

Qard (Interest-free loan): Under this arrangement, a loan is given for a fixed period on a goodwill basis and the borrower is only required to repay the amount borrowed. However, the borrower may, if he so wishes, pay an extra amount (without promising it) as a way to thank the lender.

Hibah (Gift): This refers to a payment made willingly in return for a benefit received. Example: In savings operated under Wadiah, banks will normally pay their Wadiah depositors hibah although the account holders only intend to put their savings in the banks for safekeeping

Significant of the Study: This report is an attempt to provide business students an orientation to a real life business situation in which we can observe and evaluate the use and applicability of the theoretical concepts. As per norm, this report is the requirement of the fulfillment of the BBA program. This report “Foreign Trade Operations of ShahjalalIslami Bank Ltd.” is the outcome of 12 weeks internship work on Banking Sector. During this period, my job has related to the foreign trade department. My honorable supervisor Dr. Ahmed FakhruAlam, Professor, Department of Marketing, Daffodil International University authorized this report to me to acquire the practical knowledge.

Scope of the Study:

The scope of the study will be limited to the organizational setup, function and operation of the SJIBL in the Bangladesh specially concentrating on SJIBL operations in Uttara Branch but not the entire realm of the SJIBL. This report mainly encompasses the performance of ShahjalalIslami Bank Limited in comparison the General Banking and Foreign Exchange. For the purpose of my internship program, I was assigned in the Foreign Exchange Division at SJIBL

and this paved me the way to get myself familiarized with banking environment for the first time indeed. I have an opportunity to gather experience by working in different departments of the Branch.

Methodology of the Study:

Both primary and secondary sources of information were used in preparing the report.

Primary Sources of information:

- Personal observation.
- Face to face conversation of the officers.
- Face to face conversation of the client.
- Working at different desks of the bank.

Secondary Sources of information:

- Annual report of ShahjalalIslami Bank Ltd.
 - Statement of affairs.
 - Bank Rate sheet.
 - Internet.
 - Progress report of the Bank.
 - Bangladesh Bureau of statistics report.
 - Several kinds of Academic test-book and training sheet.
 - Different publications regarding banking functions and foreign exchange operation.
-

Analysis

Organizational Profile: Overview of Shahjalal Islami Bank Ltd:

Shahjalal Islami Bank Limited (SJIBL) commenced its commercial operation in accordance with principle of Islamic Shariah on the 10th May 2001 under the Bank Companies Act, 1991. During the last thirteen years SJIBL has diversified its service coverage by opening new branches at different strategically important locations across the country offering various service products. Islamic Banking, in essence, is not only INTEREST-FREE banking business, but it carries deal-wise business product; thereby generating real income and thus boosting GDP of the economy. The bank offers the full range of banking services for personal and corporate customers, covering all segments of society within the framework of Banking Company Act and rules and regulations laid down by our central bank. Diversification of products and services include “Shahjalal Corporate Banking, Retail Banking and Consumer Banking in different sectors backed by the latest technology. Currently the bank has about 50 branches throughout the country.

“**Shahjalal Islami Bank Limited**” offers full range of banking services for personal and corporate customers, covering all segments of society within the framework of Banking Company Act, and rules and regulations laid down by our central bank. Diversification of products and services include Corporate Banking, Retail Banking and Consumer Banking right from industry to agriculture, real estate to software and is backed by the latest technology.

The Bank is being managed by a group of highly experienced professionals with diversified experience in finance and banking. The Management of the bank constantly looks after customers’ satisfaction and believes that a satisfied customer is a great Ambassador. The Bank has already achieved tremendous progress within only ten years. The bank has already ranked as one of the quality service providers and is known for its reputation.

By now, the Bank established correspondent Banking relationship with 18 Banks covering their global network of 385 branches/units of International repute at different important locations. It also established accounting relationship with 10 Banks and maintaining 22 NOSTRO Accounts in 8 (eight) major Currencies at different convenient locations.

The Bank is managed by a Team of professional Executives and Officials having profound banking knowledge and expertise in different areas of management and operation of Banks. During the short span of time, ShahjalalIslami Bank so far introduced a good number of attractive deposit products to broaden the resource base and also Investment products to deploy the deposit resources so mobilized. Some more schemes covering the deposits, Investments and services will be introduced gradually in near future suiting to the taste and requirement of the clients. The Bank has a strong Shariah Council who meet periodically to confer decisions on different Shariah issues relating to Banking Operation and to address them and give necessary guidance to the management on Shariah Principle. Since inception, Bank has been performing in all the sectors i.e. General Banking, Remittance, Import, Export and Investment. All our branches are fully computerized having on line Banking facility for the clients.

All activities of the Bank including its products and services are mainly for different economic groups of Bangladesh at home and abroad. Bangladeshi expatriates living abroad in different countries form a strong economic group who contribute greatly towards the economic development of the country.

Vision:To be the unique modern Islami Bank in Bangladesh and make significant contribution to the national economy and enhance customers' trust and wealth, quality investment, employees' value and rapid growth in shareholders' equity.

Mission

- To provide quality services to customers.
- To set high standards of integrity.
- To make quality investment.
- To ensure sustainable growth in business.
- To ensure maximization of Shareholders' wealth.
- To extend our customers innovative services acquiring state-of-the-art technology blended with Islamic principles.
- To ensure human resource development to meet the challenges of the time.

The objectives of the bank include:

- To conduct interest-free and welfare oriented banking business based on Islamic Shariah.
- To implement and materialize the economic and financial principles of Islam in the banking arena.
- To contribute in sustainable economic growth.
- To help in poverty alleviation and employment generations.
- To remain one of the best banks in Bangladesh in terms of profitability and assets quality.
- To earn and maintain a 'Strong' CAMELS Rating
- To introduce fully automated systems through integration of information technology.
- To ensure an adequate rate of return on investment.
- To maintain adequate liquidity to meet maturing obligations and commitments.
- To play a vital role in human development and employment generation.
- To develop and retain a quality work force through an effective Human Resources Management System.
- To ensure optimum utilization of all available resources.
- To pursue an effective system of management by ensuring compliance to ethical norms, transparency and accountability at all levels.

Strategies of SJIBL

- To strive for customers best satisfaction & earn their confidence.
- To manage & operate the Bank in the most effective manner.
- To identify customers' needs & monitor their perception towards meeting those requirements.
- To review & updates policies, procedures & practices to enhance the ability to extend better services to the customers.

- To train and develop all employees & provide them adequate resources so that the customer's needs are reasonably addressed.
- To promote organizational efficiency by communicating company plans, policies and procedures openly to the employees in a timely fashion.
- To cultivate a congenial working environment
- To diversify portfolio both the retail & wholesale markets.

Organizational Structure:

There are five different wings to consists the organizational structure of SJIBL.They are

- Board of Directors
- Board Committees
- Executive Committee
- Policy Committee
- Management Team

Board of Directors: The Board of Directors of 13 members. The Board of Directors is the apex body of the bank.

Board of Committees: The Board of Directors also decided the composition of each committee and determines the responsibilities of each committee.

Executive Committee:All routine matters beyond delegated powers of management are decided upon by or routed through Executive Committee, subject to ratification by the Board of Directors.

Policy Committee:All matters relating to the principles, rules and regulations, ethics etc. for operation and management of the Bank are recommended by the Committee to the Board of Directors.

Management Team:Manages the day to day routine works.

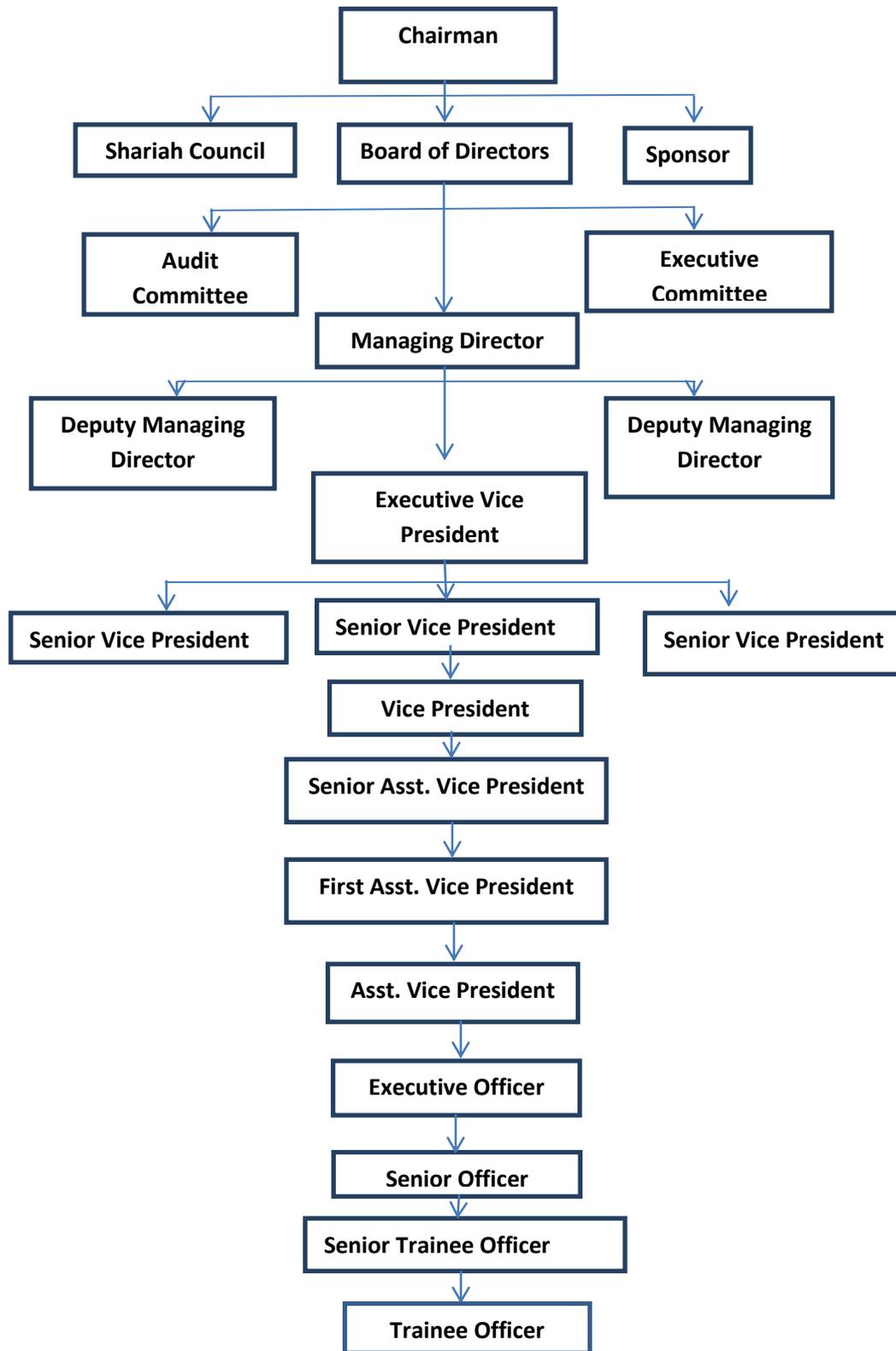


Figure 1: Organogram of SJIBL

Corporate Information:

Name of the Company	ShahjalalIslami Bank Limited
Legal Form	A public limited company incorporated in Bangladesh on 1st April 2001 under the companies Act 1994 and listed in Dhaka Stock Exchange Limited and Chittagong Stock Exchange Limited.
Commencement of Business	10th May 2001
Head Office	UdaySanz, Plot No. SE (A) 2/B Gulshan South Avenue, Gulshan - 1, Dhaka-1212.
Telephone No.	88-02-8825457,8828142,8824736,8819385,8818737
Fax No.	88-02-8824009
Website	www.shahjalalbank.com.bd
SWIFT	SJBL BD DH
E-mail	sblho@shahjalalbank.com.bd
Chairman	Mr. A.K. Azad
Managing Director	Farman R. Chowdhury
Auditors	M/S. HodaVasiChowdhury& Co. Chartered Accountants IspahaniBhaban 14-15 Motijheel C/A Dhaka-1000 Phone: 88-02-9555915, 9560332
Tax Advisor	M/S K.M Hasan& Co. Chartered Accountants 87, New Eskaton Road Dhaka. Phone: 88-02-9351457, 9351564
Legal Advisor	Hasan& Chamber of Commerce Associates Building (6th floor), 65-66 Motijheel C/A, Dhaka
No. of Branches	92

No. of ATM Booth	38
No. of SME Centers	06
Off-Shore banking Unit	01
No. of Employees	1,811
Stock Summary:	
Authorized Capital	Tk. 6,000 million
Paid up Capital	Tk. 5,566 million
Face Value per Share	Tk. 10

Financial statements of SJIBL for the last three quarters is given in the Appendix.

Social Welfare Activities:

With a view to providing financial assistance to the poor and needy people of the society and also for the welfare of the community, the bank has established “ShahjalalIslami bank Foundation” with the objective to provide health care, relief and rehabilitation, education, distribution of winter clothes during the winter etc.

ShahjalalIslami Bank Foundation has a planning to establish the following projects and programs:

- ShahjalalIslami Bank International School and College
- ShahjalalIslami Bank Hospital

The foundation have also drawn up programs to look after the education, health and medical requirements of all the people of rural areas where the bank has launched Rural Investment Programs with vision 2020.

The foundation already introduced a program to reward poor student who passes SSC and HSC exam. Students who are not financially sound, the foundation gives financial assistance

to them. Recently ShahjalalIslami Bank Limited (SJIBL) awarded 330 poor and brilliant students scholarship worth aroundTk 4.3 million as part of its Corporate Social Responsibility (CSR).

For the six years, SJIBL has been donating money to the victim families of the martyred army officers in the Pikhana mutiny. The bank also donated money during natural disasters like Sidr.

Achievements:

ShahjalalIslami Bank Limited (SJIBL) has received a number of awards for their outstanding banking performance which includes:

- the prestigious "European Award for Best Practices-2012" in gold category. This award is the recognition of Bank's extraordinary achievements in customer satisfaction and outstanding results in quality management.
- the prestigious "Arch of Europe" in gold category. This award is the recognition of Bank's extraordinary achievements in immeasurable contribution to the banking sector and high standing professionalism demonstrated by prestigious performance.
- best corporate award from ICMAB in 2011 in Islamic Banking Operation Category.

Green Banking:

SJIBL believes that Green Bank would lead the way in finding ways to blend our customers' financial interests with the interests of the environment. Bangladesh Bank has recognized

SJIBL as one of the top ten private commercial banks for its Green Banking activities. Through Green Banking, SJIBL intends to:

- Help clients achieve economic success and financial security.
- Create a place where employees can learn, grow, prosper and be fulfilled in their work.
- Make the communities where they operate better places to live and work.
- Optimize the return of shareholders, while providing a safe and sound investment in a socially responsible and resource-efficient enterprise.
- Ensure the fair treatment of stakeholders and be a company that routinely “does the right thing.”
- Behave in an ethical manner in all transactions and interactions.
- Have proper compliance processes, measures and goals for achieving and surpassing all regulatory and legal requirements.

Green Products:

Finance for farmers named as “Krishan”: This facility will be allowed to farmer for purchasing highly productive seeds, fertilizer (green and environment friendly) and arranging irrigation.

Finance for farmers for tree plantation named as “Shobujayon”: This facility will be allowed for plantation in vacant lands that are not used for crops.

Finance for handicraft and jute prouducts named as “Kutir”: This facility will be allowed for entrepreneurs for handicraft and jute products made out of natural material that will replace plastic and non-disposable polythene products.

Finance for re-cycle industry named “Rupantor”: This facility will be allowed for entrepreneurs of re-cycle industry made out of waste goods such as used paper, wood, glass, tin-pots, plastic bottles to make the environment clean.

Finance for solar-panel named “Shobuj-Shokti”: This facility will be allowed for households, industries and business places for use for solar panel within the city and rural off-grid areas to reduce of electricity.

Finance for industries named as “ShobujShilpo”: This facility will be allowed to the industries that are having waste management plant/arrangement and those that are not involved with any activities against environment.

SMS Service:

ShahjalalIslami Bank again fulfilled the demand of time in the era of modern banking technology by introducing the Mobile banking i.e. SMS / Push Pull Service. Mobile Banking is a secured and flexible solution that delivers the banking services to its customers through a range of mobile devices using SMS / Push Pull technology. It provides banking services to the registered clients access to account information and real-time transaction capabilities from the mobile phones at a true “Anywhere, Anytime, Anyhow” convenience.

As a leading private sector bank in Bangladesh the ShahjalalIslami Bank Limited presents the Mobile banking i.e. SMS / Push Pull service.

Services:

1. Balance Inquiry
2. Cheque Book Request
3. Cheque Leaf Status
4. FC Rate Information
5. Cheque Stop Payment Instruction
6. Statement Request by Courier/Post
7. Statement request by E-mail
8. Last Three Transaction Statement
9. Help inquiry
10. PIN Change

GP Bill Collection:

Grameen Phone subscribers availing the service to pay their bills, advances, security deposit and other related charges through all branches of ShahjalalIslami Bank Limited.

Foreign Remittance

ShahjalalIslami Bank has remittance drawing arrangement with the Western Union, MoneyGram, Xpress Money, Kushiara Financial Services Ltd. (for customers living in UK), Zenj Exchange (for customers living in Bahrain), Money Exchange (for customers living in Spain), Arabian Exchange (for customers living in Qatar), Wall Street Finance LLC (for customers living in USA), and Al-Ahalia Exchange Bureau (for customers living in the UAE). Under the agreement Bangladeshi expatriates living in different parts of the world can send their money safely and quickly to the beneficiaries in Bangladesh. ShahjalalIslami Bank has the arrangement for Instant Cash, TT (bank transfer), Demand Draft (DD).

ShahjalalIslami Bank Limited is a member of the society for Worldwide Inter Bank Financial Telecommunication (in abbreviation S.W.I.F.T). SWIFT is the industry-owned co-operative supplying secure, standardised messaging services and interface software to nearly 8,100 financial institutions in 207 countries and territories. SWIFT members include banks, broker-dealers and investment managers. The broader SWIFT community also encompasses corporate as well as market infrastructures in payments, securities, treasury and trade.

Internet Banking

SJIBL **iBanking** allows the customers of the bank to perform their banking activities on “Secured Banking AnytimeAnywhere”. It facilitates the customer to access the bank in secured channel through internet staying anywhere of the world at any time of a day

Security guaranty:

SJIBL ensures the security of its customers by implementing the world’s best security certificate (SSL) on its internet banking server. The security certificate secures the valuable data and transactions of a customer through proper encryption.

Available Services:

- | | | |
|---|---|--|
| <input type="checkbox"/> Balance Inquiry | <input type="checkbox"/> Cheque Book Details | <input type="checkbox"/> Stop Cheque Request |
| <input type="checkbox"/> Limit Inquiry | <input type="checkbox"/> Clearing Cheque Status | <input type="checkbox"/> Address Change Request |
| <input type="checkbox"/> Profit Details | <input type="checkbox"/> Transaction Details | <input type="checkbox"/> Cheque Book Requisition |
| <input type="checkbox"/> Term Deposit Details | <input type="checkbox"/> Customer Information | <input type="checkbox"/> Statement Request |

- Investment Repayment Schedule

Upcoming Services:

- Standing Instructions
- Utility Bill
- Fund transfer

SWOT Analysis:

STRENGTHS

Equalization	At SJIBL workshops are conducted periodically. On the workshops, all people participate as equals, with new members free to openly challenge top managers.
Free exchange of communication	At SJIBL the main objective is to setting up workshops are to remove authority from an artificial spot at the top, & place it where the most knowledgeable people are, the people closest to the operations. The free exchange of ideas is reinforced by a policy of “constructive confrontation”. Each employee is expected to challenge ideas openly & aggressively, but never attack an individual’s motives for presenting an idea.
MBO	SJIBL also has Management by Objectives (MBO) everywhere. Each person has multiple objectives. All the employees must have to get the approval of their bosses on what they are going to do. Later they review as how well they have performed their job with their management as well as the peer group.
“One-to-one” meeting	The MBO makes the review a communication device among various groups. The key to the system is a “one-to-one” meeting between a supervisor & a subordinate. In the meeting, the problems in dealing with customers are put forward first & every one dug it to solve them.
Visually Appealing Facilities	SJIBL has some of the best visually appealing branches and office premises in Dhaka & Chittagong that highly attracts customers’ attentions and customers also feel the international environment while banking with SJIBL.

WEAKNESSES

Absence of strong Marketing Activities	SJIBL currently don't have any strong marketing activities through mass media e.g. Television. TV ads play a vital role in awareness building. SJIBL has no such TV ad campaign.
No investment products	Currently the personal banking divisions of SJIBL do not have investment products for its customers. The banning of investment loan by central bank possess a strong pressure to design new products.
Lack of customer confidence	As SJIBL is fairly new to the banking industry of Bangladesh average customers lack the confidence in SJIBL and judge the bank as an average new bank.
Too many contract workers	SJIBL has contract workers who lack the commitment with superior quality service and also are pretty dissatisfied as being a contract worker. This hampers the bank's service quality as a whole.
Low remuneration Package	The remuneration package for the entry-level officers is considerable low. Since other foreign and local banks offer a more lucrative salary package, it will be difficult for SJIBL to attract MBA's in future with its current salary package.
Diversification	SJIBL can peruse a diversification strategy in expanding its current line of business. The management can consider options of starting merchant banking or diversify in to leasing and insurance institution.
Credit Cards	This is one of the most popular and emerging products in Bangladesh, which offers customers total financial mobility. Various other banks and institutions are currently offering this product. SJIBL can also take advantage of this product and grab the market share. So they need alliance with all institutions operating in Bangladesh.
Acquisition	SJIBL is one of the experts in acquiring various firms and organizations. In Bangladesh it can also diversify quickly by acquiring various local established banks and increase it's total operation within Bangladesh rapidly.

OPPORTUNITIES

High demand of Housing loans	Since housing is one of the basic needs of people, there is a high demand of housing loans. SJIBLS's personal banking division can focus on this category of products and grab these segments of customers.
Distinct operating procedures	SJIBL is noted for its distinct operating procedures. Repayment capacity as assessed by HSBC of individual client helps to decide how much one can borrow. As the whole lending process is based on a client's repayment capacity, the recovery rate of SJIBL is close to 100%. This provides SJIBL financial stability & gears up SJIBL to be remaining in the business for the long run.
Countrywide network	The ultimate goal of SJIBL is to expand its operations to the rural Bangladesh. Nurturing this type of vision & mission & to act as required, will not only increase SJIBL's profitability but also will secure its existence in the log run.

More experienced & managerial know-how	The top management team of SJIBL is expert in banking activities. The operating policies established by them are unique & unified. All the members of the team carry out their management roles exhaustively. They equally contributed to SJIBL's superior leadership, by carrying out their unique roles. They worked well together, respecting each other's abilities, & arguing openly & without any rancor when they disagree.
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THREATS

Upcoming Banks	The upcoming private local & multinational banks possess a serious threat to the existing banking networks of SJIBL. It is expected that in the next few years more commercial banks will emerge. If that happens the intensity of competition will rise further and banks will have to develop strategies to compete against and win the battle of banks.
Lose of Customers	Absence of various products such as credit card, housing loans are causing various customers to detract from SJIBL. This is a serious threat for SJIBL Bangladesh.
Moderate levels of Customer Satisfaction	SJIBL should continuously improve its customer service strategies and the overall service quality needs to win the customer satisfaction undoubtedly.

Departments of the bank:

The whole activities of SJIBL are divided into three major areas. These are:

- General Banking
- Investment
- Foreign Trade

General banking is the starting point of all the banking operations. This department does the most important and basic work of the bank. It is also the department which provides day to day services to the customers. All other departments are linked with this department. It also plays a role in deposit mobilization of the branch. SJIBL provides different types of accounts, locker facilities and special types of saving scheme under general banking.

The special feature of the Investment policy of SJIBL is to invest on the basis of profit-loss sharing system in accordance with the tenets and principles of Islamic Shariah. Earning of profit is not only the motive and objective of the bank's investment policy, rather emphasis is given in attaining social good and in creating employment opportunities.

Foreign Exchange means foreign currency and it includes any investment drawn, accepted, made or issued under clause (13), Article 16 of the Bangladesh Bank Order 1972. All deposits, credits, and balances payable in any foreign currency and drat, traveler's cheque, letter of credit and bill of exchange expressed or drawn in Bangladeshi currency but payable in any foreign currencies.

General Banking Division:

Deposit Mobilization of SJIBL:

Bank account is a contractual relationship between a bank and the customers. It is the best way for a customer to build relationship with the bank. Like interest-based conventional banks, the main function of ShahjalalIslami Bank Limited (SJIBL) is to mobilize saving and provide financial support to the entrepreneurs. SJIBL neither pay not receive interest and mobilizes saving of the common people in line with Islamic Shariah.

Deposit account can take on a various forms such as:

- Al – Wadiah Current Deposit (AC)
- Mudarabah Saving Deposit (MSD)
- Short – Notice Deposit (SND)

Al – Wadiah Current Deposit (ACD):

ShahjalalIslami Bank Limited received deposits in its Al – Wadiah Current Account. It has some similarity with the current account of conventional bank. The term Al – Wadiah Current Deposit means deposit of money allowing somebody to use it. Banks being a trustee preserves and keeps or in safe custody of what is deposited. Depositors feel safe in keeping their money with the bank and take transaction facilities. Bank provides assurance of returning money to the depositors on demand. In the process of opening Al-Wadiah Deposit, the bank gets approval of the depositors regarding the use of the deposited money and earns profit out of their development. Any losses incurred by way of such investment are totally borne by the Bank. Thus, the depositors don't take the risk of losses with Al-Wadiah Current Deposit; they also don't expect any profit from it. Depositors are provided with chequebook. They can withdraw or deposit any amount as and when they like. Bank may charge a fee in the account. Al-Wadiah Deposits are short terms and very uncertain, thus banks have to be very useful in the investment of money from this account.

Mudaraba Saving Deposit (MSD):

Mudaraba Saving Deposit (MSD) is opened by the lower and middle class people who wish to save a part of their incomes to meet their future need intend to earn an income from their savings. It aims at encouraging savings of non-trading person(s), institution(s), society, etc. by depositing small amount of money in the bank.

Restriction on withdrawals and deposit:

- The number of withdrawals over a period of time is limited. Two withdrawals per week are permitted.
 - The total amount of one or more withdrawal on any date should not exceed 25% of the balance in the account unless 7 (seven) days advance notice is given.
 - The customer may deposit any amount in the savings bank account subject to a minimum of Taka. 2000/- in the account.
-

Payment of Profit:

ShahjalalIslami Bank Limited is providing 6.25% profit on Mudaraba Saving Deposit.

Mudaraba Short Notice Deposit (MSND):

ShahjalalIslami Bank Limited also receives term deposit from the clients. The SND account is different from the interest – based banks. It is also a Time Deposit account.

Different Types of Scheme:

The ShahjalalIslami Bank Limited (SJIBL) is containing some Deposit Scheme, which are the really profitable for bank and customer. The Bank maintains shariah – based transaction with their customer by the different Scheme this are:

1. Monthly Deposit Scheme (MDS)
 2. Mudarah Term Deposit Receipt (MTDR)
 3. Monthly Income Scheme (MIS)
-

4. Double Profit Mudaraba Saving Scheme (DPMSS)
 5. Millionaire Scheme
 6. Hajj Palon Scheme
-

Local Remittance:

Local Remittance means sending money from one place to another for the customers and it is a very important service system in our country. Some of the instruments that Shahjalal Islami Bank Limited, Foreign Exchange Branch provides are:

1. Demand Draft (DD)
 2. Pay Order (PO)
 3. Telegraphic Transfer (TT)
-

Demand Draft (DD):

Demand Draft is an order of issuing bank in another branch of the same bank to pay a specified sum of money to the payee on demand. It is generally issued when a customer wants to remit money in any place which is outside of the clearinghouse area of the issuing branch. The payee can be the purchaser himself or another. Bearing money may be risky. It is a negotiable instrument and it can be crossed or not. For payment of DD, the paying branch first has to be confirmed that the DD is not a forged one.

Pay Order (PO):

This is a very important instrument of the Bank. Pay Order gives the payee the right to claim payment from the issuing bank. It can be cashed from the issuing bank only. Unlike a Cheque, there is no possibility of dishonoring a pay order because before issuing a pay order the bank takes out the money of the pay order in advance. Pay order cannot be endorsed or crossed and so it is not a negotiable instrument. Pay Order commission is like this:

Telegraphic Transfer (TT):

Telegraphic Transfer is the quick service system than others. By this method money is transfer to another place by telegraphic message. The sender branch will request another branch to pay required money to the required payee on demand. Generally for such kind of transaction payees should have account with the paying bank. Otherwise it is very difficult for the paying bank to recognize the exact payee. Test code is also furnished on the TT message for the protection of it. When it is urgent to send money, the bank uses telephone for remittance. This service is only provided for valued customers who is very reliable and have long-standing relationship with bank.

Islamic Mode of Investment:

Bai Mechanism:

Bai-Murabaha

Murabaha LC (Sight/Deferred):

Through this mode of indirect facility, the bank facilitates import of goods of the client at fixed rate of service charge (LC commission) on invoice value. LC may be opened at 100% cash or at a different ratio.

Murabaha Post Import TR:

This is a post import finance under the principle of “Bai”, extended to retire Shipping Documents under LC opened. We buy the imported goods and sell the same to the importer at a cost plus an agreed upon profit repayable today or on some date in the future in lumpsum or by installments. Usually payment is made by lumpsum from the sale proceeds of the consignment. Possession of goods remains with the client. Collateral security is usually obtained to secure the finance.

Murabaha Post Import Pledge:

As like Murabaha Post Import TR with an exception to security. Goods remain under the control of the Bank. Collateral security may or may not be obtained.

Bai-Muajjal:

Bai-Muajjal Commercial TR

It is an agreement between bank and client whereby bank delivers goods to the client upon deferred payment, i.e. the client shall pay the price at some future date at a time, by lumpsum or by installment. Under this mode of investment, bank is not supposed to disclose cost price and profit separately. Goods are delivered on trust and Trust Receipt is obtained for legal implication.

Bai-Muajjal Real Estate:

Mode of operation and principle of this product are alike Bai-Mujjal Commercial TR. Difference is with the purpose, i.e. the facility is only extended against construction or purchase of building, apartment etc.

Bai-Muajjal (Term):

Under this mode o investment, term facility is given to meet client's requirement, which is repaid by a specific repayment schedule. Purpose is a bit different, such as to meet BG claim, etc.

Bai-Salam

Bai-Salam (PC):

This is export finance. Bai-Salam is a term used to define a sale in which the buyer makes advance payment, but the delivery is delayed until sometime in the future. Usually the seller is an individual or business and the buyer is the bank.

The Bai-Salam sales serve the interest of both parties:

- a. The seller receives advance payment in exchange for the obligation to deliver the commodity at some later date. He benefits from the salam sale by locking in a price for his commodity, thereby allowing him to cover his financial needs whether they are personal expenses, family expenses or business expenses.
- b. The purchaser benefits because he receives delivery of the commodity when it is needed to fulfill some other agreement, without incurring storage costs. Second, a Bai-Salam sale is usually less expensive than a cash sale. Finally, a Bai-Salam agreement allows the purchaser to lock in a price, thus protecting him from price fluctuation.

Small and Medium Enterprise Investment:

Objective of Small and Medium Enterprise (SME) Investment Operation:

The SME Sector has been declared by the Government as a priority sector. In our country, Small and Medium Enterprise (SMEs) play the pivotal role for employment generation, poverty alleviation and overall economic growth of the country. It has been observed that fund is the major constraint of this sector. So, the sector deserves more investment facility for smooth functioning of the existing enterprises and expansion of the same with a view to retain the workforce active as well as creating more employment opportunities. Further, investment in SMEs can be very effective in reducing poverty as well as ensuring long term economic growth.

SJIBL is a modern commercial bank governed by the principles of Islamic Shariah which is committed to implement and materialize the economic and financial principles of Islam in the banking sector. It has undertaken initiatives for investment in SME sector by introducing a number of SME products in the market gradually with a view to patronizing the trade, commerce and industrial entities with equity and justice and to make effective contribution for creating employment opportunities, which will ultimately help the nation in poverty alleviation from the society.

SME Investment Products:

Protasha for Small Enterprises

This scheme is for small sized trading, manufacturing and service-oriented business and small agro-based industries. The purpose of this scheme is to meet working capital requirements of an existing business and to purchase fixed assets for an existing business except land and building.

**Small Business Investment:
Small Business Investment Scheme**

Target groups

- Small Businessmen like Wholesaler, Retailer, Small Manufacturer/Producer and Trader etc.
- Self-Employed Person like Doctors/Engineers/Professionals etc.
- Small & Cottage Industries.
- Other existing & new small business, micro & small industries and commerce.

**Housing Investment:
Household Durables:
Household Durables Investment Scheme**

Purpose

- Facilitate investment to purchase household durables to the different low & medium income honest businessman/professionals.
- Socio-economic improvement of the country through improvement of life style of the low & medium income people

Target groups

The permanent employees working in the following organizations aged between 20 to 55 years and willing to avail investment under the scheme:

- Government Organizations.
- Semi-Government & Autonomous Organizations.
- Different Corporations.
- Multi-national Companies.
- Different local renowned Non-governmental Organizations.
- Different Banks and Financial Institutions (Including ShahjalalIslami Bank Ltd.).
- Different Insurance Companies.
- Different renowned University, College, School &Madrasha besides Government University, College, School &Madrasha.
- The persons serving in Military and Paramilitary.
- Acceptable persons to the Bank's Management.
- Genuine businessman having valid Trade license, VAT certificate, TIN certificate and Monthly Income evidenced by relevant documents may be included as client.

Household Items

Air-Conditioner/Air-Cooler	Electrical/Electronic goods	IPS/UPS/Stabilizer/FAX/Cell-Phone
Crockery Items	Computer	Washing Machine
Knitting Machine (Home useable)	Furniture and Fixtures	Non-Commercial Generator
Photo Copier	Oven	Refrigerator
Deep Fridge	Two-in-one	Three-in-one
CD/VCD/DVD Player	Water Purifier	Room Heater
Water Cooler	Water Pump	Typewriter
Camera	Different Kitchen Kits	Ornaments for marriage
Any other different household items.		

Car Purchase Investment Scheme:

Maintaining a car nowadays is no more a luxury, but an essential part of daily working life to add speed to its performance and taking this as view ShahjalalIslami Bank has introduced Car Purchase Investment Scheme. Potential users of personal cars are requested to contact any of the branches of the bank for availing the facility within shortest possible time at very easy terms.

CNG Conversion Investment

This scheme allows people to convert their vehicle into CNG system.

Overseas Employment Investment Scheme

This scheme is for the wage earners who are contributing to the growth of national economy in terms of their remittance sent from abroad.

Investment Scheme for Doctors

With this scheme, doctors can set up or renovate their chamber, clinic, or diagnostic center with necessary medical equipment.

Investment Scheme for Executives: This scheme is for Executives for having a sudden vacation with family, medical treatment, purchase of furniture, house renovation, higher education or training.

Investment Scheme for Marriage

The funds from this scheme are to be used for the purpose of marriage.

Investment Scheme for Education

This scheme can be o help for children's higher education in the country or abroad.

Chapter 4: Foreign Exchange Operations of the Bank

Foreign Exchange means foreign currency and it includes any instrument drawn, accepted, made or issued under clause (13), Article 16 of the Bangladesh Bank Order, 1972. All deposits, credits and balances payable in any foreign currency and draft, traveler's cheque, letter of credit and bill of exchange expressed or drawn in Bangladeshi currency but payable in any foreign currencies.

We know that in a local trade there is a chance to know about each other. But in international trade the involved parties stay in two distant places. For a buyer the following risks are involved:

- Risk of non-delivery of goods
- Risk of receiving sub-standard goods
- Risk of fraud in goods

For the seller the following risk is involved:

-Risk of non-payment.

To reduce the aforesaid risks an independent system is introduced which will safeguard the buyer as well as seller in an international trade.

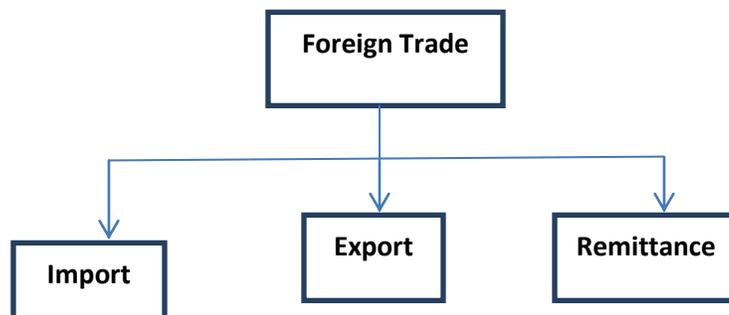


Figure 2: Areas of Foreign Trade

The bank has been providing services to import and export trade and for repatriation of hard-earned foreign exchange of Bangladeshis living and working abroad and has, by now consolidated its position in these areas.

The bank has been providing services to import and export trade and for repatriation of hard-earned foreign exchange of Bangladeshis living and working abroad and has, by now, consolidated its position in these areas.

Definition of L/C:

A Letter of Credit is a definite undertaking of the Issuing Banks, to make the payment for the import, on behalf on the importer; in other words, it is a letter of the issuing Bank to the beneficiary, undertaking to effect payment under some agreed conditions. It is an undertaking of the Issuing Bank to the Beneficiary to make payment or to accept bill of exchange. It is also an authorization of the Issuing Bank to effect payment or to negotiate bill of exchange, against stipulated documents, complying credit terms. L/C is called documentary Letter of Credit. The undertaking of the Issuing Bank is subject to presentation of some specified documents.

Classification of L/C:

A Letter of Credit (L/C) may be o two forms. These are:

- Revocable L/C
- Irrevocable L/C

Revocable L/C:

If in any L/C there is amendment or change of any clause canceled by consent of the exporter and importer, it is known as revocable L/C. A revocable L/C can be amended or canceled by the issuing bank at any time without prior notice to beneficiary. It does not constitute a legally binding undertaking by the bank to make payment. Revocation is possible only until the issuing bank or correspondent has honored the document. Thus a revocable credit does not usually provide adequate security for the beneficiary.

Irrevocable L/C:

A documentary credit takes many different forms. The first decision i.e. the choice of the basic form of the credit is usually made at the time of negotiation between the seller and the

buyer. The terms of the credit will be determined in detail when the buyer instructs his bank to issue the credit. At this stage the seller, on being informed by the bank regarding the credit terms, should ensure whether the credit terms are agreeable and, if necessary, demand from the buyer a more precise wording, or the terms of the necessary amendments. It is in the interest of both the parties to the contract that the individual terms of the credit transaction are clearly and correctly stipulated. This facilitates the examination of the documents at the time of utilization.

Party involved with L/C operation:

A letter of credit is issued by a bank at the request of an importer in favor of an exporter from whom he has contracted to purchase some commodity or commodities. The importer, the exporter and issuing bank are parties to the letter of credit. There are however, one or more than one banks that are involved in various capacities and at various stages to play an importer role in the total operation of the credit.

The following parties are involved with L/C operation procedures:

- i) The Opening Bank.
- ii) The Advising Bank.
- iii) The Buyer and the Beneficiary.
- iv) The Paying Bank.
- v) The Negotiating Bank.
- vi) The Confirming Bank.

i. The Opening Bank: The opening Bank is one that issues the letter of credit at the request of the buyer. By issuing a letter of credit it takes upon itself the liability to pay the bills drawn under the credit. If the drafts are negotiated by another bank, the opening bank reimburses that bank. As soon as the opening bank, issuing a letter of credit (L/C), it expresses its undertaking to pay the bill or bills as and when they are drawn by the beneficiary under the credit.

ii. The Advising Bank: The letter of credit is often transmitted to the beneficiary through a bank in the letters country. The bank may be a branch or a correspondent of the opening bank. The

credit is sometimes advised to this bank by cable and is then transmitted by it to the beneficiary on its own special form. On the other occasions, the letter is sent to the bank by mail or telex and forwarded by it to the exporter. The bank providing this services is known as the advising bank. The advising bank undertakes the responsibility of prompt advice of credit to the beneficiary and has to be careful in communicating all its details.

iii. The Buyer and the Beneficiary: The importer at whose request a letter of credit is issued is known as the buyer. On the strength of the contract he makes with the exporter for the purchase of some goods that the opening bank opens the letter of credit. The exporter in whose favor the credit is opened and to whom the letter of credit is addressed is known as the beneficiary. As the seller of goods he is entitled to receive payment, which he does by drawing bills under the letter of credit.

iv. The Paying Bank: The paying bank only pays the draft drawn under the credit but undertakes no opening bank, by debating the letters accounts with it there is such an account or by any other measured up, between the two bankers. As soon as the beneficiary has received payment for the draft, he is out of the picture and the rest of the operation concerns only the paying bank and the opening bank.

v) The Negotiation Bank: The negotiating bank has to be careful in scrutinizing that the drafts and the documents attached there to be in conformity with the condition laid down in the L/C. Any discrepancy may result in reused on the part of the opening bank to honor the instruments is such an eventuality the negotiating bank has to look back to the beneficiary for refund of the amounts paid to him.

vi. The Confirming Bank: Sometimes an exporter stipulates that a L/C issued in his favor be confirm by a bank in his own country. The opening this country to add its confirming to the credit the bank confirming the credit is known as the confirming bank and the credit is known as confirmed credit.

Documents required for opening an L/C:

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

- Valid Import Registration Certificate (commercial/industrial).
- Tax Identification Number Certificate (TIN)
- VAT Registration Certificate.
- Membership Certificate of a recognized Trade Association as per IPO.
- A declaration, in triplicate, that the importer has paid income-tax or submitted income tax returns for the year preceding year.
- Proforma Invoice or Indent duly accepted by the importer.
- Insurance Cover Notice with money paid receipt covering value goods to the imported.
- L/C Application form duly signed by the importer.
- Letter of Credit authorization Form (LCAF) commercial or industrial as the case may be duly signed by the importer and incorporation new ITC number of at least 6 digits under the Harmonized system as given in the import Trade Control schedule 1998.
- IMP (SJIBL – 170) Form duly signed by the importer.

Proposal of L/C:

Preparing an L/C proposal is fundamental function of a letter of credit operation. Preparing an L/C proposal a lot of information is needed. For this purpose the client should co-operate the bank. Otherwise the bank will not able to complete the proposal successfully. However, the following papers/documents are required to process L/C proposal.

Completion of A/C opening as per Bank's form under terms and condition stipulated thereon.

- Completion of L/C agreement form as per bank's format.

- Valid trade license.
- VAT Registration Certificate.
- TIN Certificate.
- Valid/Renewed IRC – IRC to be properly Transferred/N.O.C from previous bank.
- Membership Certificate form Chamber of Commerce.
- Undertaking bearing Exchange Fluctuation.
- Undertaking having no overdue liability with bank's / financial institute.
- Indent/P.I having address, Tel, Fax, E-mail address of Exporter/Indenter & Importer duly to be signed by both with acceptance and mentioning actual date of delivery, shipment date, ports with terms and condition.

L/C Operation of SJIBL:

Foreign trade plays a vital role in the economic advancement process of a nation. So the trend of country's foreign trade, i.e. import and export is of a great concern to the government of a country. Fluctuation in the parameters of foreign trade immediately brings about some impact on the total economy.

International trade policy relates to commercial policy, which has two main components: Import policy and Export policy. The main purpose of the policy is to conserve scarce foreign exchange and to ensure its utilization for the import of goods and services, which have national priority. The selected persons on institutions those who have got valid Import Registration Certificate (IRC) from the Chief Controller of Import and Export (CCI & E) can import and they are known as importers.

These importers can import goods as entitled in each year as per import policy by opening letter of credit (L/C) through bank i.e. Authorized Dealer (AD). Authorized Dealer means the branches of commercial banks, those who are authorized by the Bangladesh Bank to deal in foreign exchange. Letter of Credit may be defined as the letter of undertaking or letter of guarantee issued by the L/C opening bank on behalf of the importer submits all the documents as mentioned in the L/C submits all the documents as mentioned in the L/C within the time schedule to his bank i.e. exporters bank.

Before opening L/C in favor of the exporter the entitlement of the importer to be registered with Bangladesh Bank. For this purpose the importer is to apply through L/C Authorization form. After filled up and signed up the appropriate column of the LCA form, the importer will submit it to Authorized Dealer who in turn forward the same to Bangladesh Bank for registration where fund is purchased from Bangladesh Bank. After registration Bangladesh Bank forward the 1st and 2nd copy of LCA form to the Authorized Dealer, 3rd and 4th copy to CCI & E and keep the 5th copy as their office copy.

Now the importer will come to his bank with a request to open an L/C along with the following documents:

- L/C application and agreement form with adhesive stamp of Tk. 150.
- Indent / Proforma Invoice/ Contract- 3 copies.
- Insurance cover note with premium paid receipt.
- IMP form one set duly signed by the importer.
- Any other documents if necessary.

Authorized Dealer will scrutinize the documents and open the L/C in favor of the exporter by converting the Bangladesh Taka into foreign currency at the existing B.C selling rate of exchange. Care must be taken so that the limit of Bangladesh Taka is not exceeded in any way. The foreign currency value of the L/C must correspond the equivalent amount of Bangladesh Taka if LCA registered with Bangladesh Bank.

The Authorized Official of the Authorized Dealer will check the L/C very carefully and signed the same jointly and forward the 1st and 2nd copy to their foreign correspondent situated at the nearest place of the exporter. Thus Bank is known as Advising Bank. On receipt of the L/C the Advising Bank after verification of the duplicate copy at their end.

On getting the L/C the exporter prepares the goods and ship the same as per instruction of the L/C and obtain a Bill or Lading from the shipping Authority. The exporter will prepare bill of exchange, invoice and other documents as specified in the L/C and submits the same along with the original copy L/C to his bank within the time mentioned in the L/C. The Bank with whom the exporter submits the documents is known a Negotiating Bank as this negotiates the documents i.e. makes payment to the exporters.

The negotiating bank will scrutinize the documents with terms and conditions of the L/C very carefully. If everything is in order the bank will make payment of the amount of L/C to exporter in their local currency by debiting to their own account. Subsequently the negotiating bank will claim the L/C with whom the Head Office of L/C opening bank maintained foreign currency.

This is known as Reimbursing Bank. Reimbursing Bank will make payment to the negotiating bank by debit to L/C opening bank's head office A/C. Simultaneously the negotiating bank will forward all the documents submitted by the exporter to the L/C opening bank as per instruction of the L/C. The date of forwarding letter of negotiating bank should be date of negotiating of documents.

After taking delivery of documents from the L/C opening bank, the importer will clear the goods which has already been arrived or due to arrive from the customs authority on submission of these documents along with the custom purpose copy of LCA from.

Import:

Import Trade of Bangladesh is controlled under the Import and Export control Act 1950. Authorized Dealer Banks will import the goods into Bangladesh following import policy, public notice, F.E circular and other instructions from competent authorities from time to time. Goods are being imported for personal use, commercial purpose or industrial use.

Import Procedures:

Registration of importer: In terms of the importers, Exporters and Indenters order, 1981 no person can import goods into Bangladesh unless he is registered with the Chief Controller of Import and Export from the provisions of the said order. Only commercial and industrial importer must have registration from CCI & E.

To obtain import Registration certificate (IRC), the applicant will submit the following paper/documents to the CCI & E through this nominated Bank.

- Questionnaire duly filled in & signed by applicant.
- Trade license.
- Membership certificate from chamber of commerce or any other trade Association.

- Nationality certificate.
- Income tax registration certificate.
- Partnership deed/Certificate of registration with the register of joint stock companies where applicable.

On being satisfied, the CCI & E issues IRC obtaining original copy of treasury Challan for payment of registration fee.

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

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

Licensing for Imports: Most imports into Bangladesh require a license from the licensing authority. In recent years, however, the task of licensing has increasingly been delegated to the commercial banks. Beginning from the shipping period 1983-84, the commercial banks have been entrusted with the responsibility of licensing imports in both industrial and commercial sectors. Licensing is done by the commercial banks by means of a specially designed form known as Letter of Credit Authorization or simply LCA. The following documents are required to be submitted by the importer to his banker:

- LCA form properly filled in and signed.
- LC application.
- Purchase contract in the shape of an indent or proforma invoice.

- Insurance cover note.
 - Membership certificate from a Chamber of Commerce and Industry or registered Trade Association.
 - Proof of renewal of Import Registration Certificate for the current year.
-

Making the purchase contract: After being licensed, the next task for the importer is to make a contract with an overseas supplier or the letter's local agent. The contract usually consists of a proforma invoice issued by the supplier or his local agent and signed by the importer in token of having accepted the contractual terms.

Amendment of Letter of Credit: Not infrequently, the letter of credit opened by a bank needs amendment either because the terms and conditions incorporated in the L/C conflict with those of the underlying contract between the buyer and the seller or the buyer and seller agree, at a later date, to vary terms keeping in view the emerging circumstances.

Scrutiny and Lodgment of Documents: On shipping the contracted goods the beneficiary sets about the task of collecting and preparing the documents stipulated in the L/C. He collects Bill of Lading etc. from the carrier company, prepares the invoice, certificate of origin, packing list, bill of exchange and so on and present these to his banker. Unless the L/C restricts negotiation through any particular bank, the bank receiving the documents from his customer would negotiate these keeping in view the terms of the L/C. After that, the negotiating bank forwards the shipping Documents to the opening bank, simultaneously realizing payment by debiting the opening bank's account.

Verification and Lodgment of Document by the opening Bank:

On receipt of the shipping documents from the negotiating bank, the L/C opening bank should carefully examine these to ensure that they confirm to the terms of the credit; in particular, the following are the main points that should be looked into:

- The documents have been negotiated within the stipulated dates.
 - The amount drawn dose not exceeds the amount authorized in the credit.
-

- The Bill of Exchange is drawn in the manner stipulated in the credit; the amount is written in figures and words and corresponds to that of the invoice, and properly endorsed.
 - The merchandise is properly invoiced in the name of the opener of the credit i.e. the buyer or the importer with full description of the merchandise indicating, where applicable, the unit price. The invoice is signed and bears Bangladesh Bank's Registration number.
 - The Bill of Lading is clean, shipped 'on board' showing freight prepaid and endorsed to the order of the issuing bank.
 - The certificate of origin given by the supplier is in conformity with that mentioned in the credit.
 - Other documents like weight list, packing list, pre-shipment inspection certificate etc. have been received and are in accordance with the terms of the credit.
-

Preparatory Steps for opening L/C:

Before opening the L/C SJIBL will take the following steps:

Applicant to be Bank's A/C Holder: Bank will open the L/C on behalf of a person who has an account with the Bank. Unknown person will not be allowed to open L/C.

Registered Importer: Before opening the L/C Bank must confirm that the L/C applicant is a registered importer or personal user and the IRC of the importer has been renewed for the current year.

Permissible Item: The item to be imported must be permissible and not a banned item. If the item is from a conditional list the condition must be fulfilled to import the same.

Market Report: Bank will verify the marketability of the item & market price of the goods. Sometimes the importer may misappropriate the Bank's money through over-invoicing.

Sufficient Security or Margin: Price of some items fluctuates frequently. In case of those items Bank will be more careful to take sufficient cash margin or other security.

Business Establishment: Bank should not open an L/C on behalf of a floating businessman. The importer must have business establishment, particularly he must have business network for marketing the item to be imported.

Restricted Country: Goods are not to be imported from Israel. Credit report of the beneficiary is required if the amount in L/C of one item exceeds Tk. 500 Lac. Supplier's credit report is mandatory. Bank will collect credit report of the beneficiary through its correspondent in abroad.

Applicant of the client to open the L/C: The client will approach to open the L/C in Bank's prescribed form duly stamped & signed along with the following paper & documents.

- Indent/Proforma invoice.
 - Insurance cover note with money receipt.
 - LCAF duly filled in and signed.
 - Membership certificate from chamber of commerce/Trade Association.
 - Tax payment certificate/declaration.
 - IMP & TM form signed by the importer.
 - Charge documents.
 - IRC pass book, Trade license, Membership certificate & VAT registration certificate in case of new client.
 - Export L/C in case of Back-to-Back L/C.
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Permission from ministry of Commerce: If the goods to be imported under CIF (cost insurance and finance), then permission from ministry of commerce to be obtained.

Creditability of the Client: In consideration of all the above points, if Bank becomes satisfied regarding the client then L/C may be opened on behalf of the client. Before opening the L/C Bank will issue & authenticate a set of LCAF in the name of the importer.

Importer points to preparing an L/C:

To prepare an L/C the following points must be considered:

L/C Number, Place and Date of issue, Date and Place of expiry, Shipment date, Presentation period, Applicant, Beneficiary, Advising Bank Account, Part-shipment and Transshipment, Availability, Port of Shipment, and Port of destination, Tenure of the Draft, Documents required, Payment, UCP, Bill of lading, Bill of Exchange, Pre-shipment Inspection, Data content, Special Conditions, Authenticity of the credit.

Scrutiny of Import Documents:

After shipment of the goods, the exporter will submit the export documents to the negotiating Bank. Negotiating Bank will check and will send the documents to the Issuing Bank after negotiation. Upon receipt of the import documents Issuing Bank will examine the documents. Bank will decide within 7 banking days, following the day of receipt of the documents. Whether it will accept the documents or will reuse. If the Issuing Bank fail to communicate the refusal to the negotiating Bank within 7 days, the documents deems to be accepted.

At the time of scrutiny the following points to be checked specially:

Scrutiny of Draft

- Whether the Draft is drawn on the Issuing Bank or not?
- Whether the amount of draft with the invoice & credit value and not over drawn.

Scrutiny of Invoice

- Whether the description of the goods as per credit terms.
 - Whether the data contain such as, HS code number, unit price, quality & quantity of the goods, LCA number, Importer and Indenter's Registration Number, country of origin and any other information are as per credit terms.
 - Custom Invoice and /or consular invoice to be presented as per credit terms.
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Scrutiny of Transport Documents

Transport documents must ensure that:

- It is presented in full set as called for the L/C. In how many number of documents are issued for mentioned.
 - The date of shipment on the transport documents must not later than the date stipulated in the L/C.
 - ‘Shipped on Board’ ‘Freight Prepaid’ notations must be appeared on the B/L as called for in the L/C.
 - B/L must be ‘clean’ not ‘claused’.
 - Transshipped B/L not to be acceptable unless allowed by the L/C.
 - Stale B/L is not acceptable, if not permitted in the L/C.
 - The port of shipment & destination must be as per credit terms.
 - B/L must bear the name of carrying vessel and the flag.
 - Carrier must sign L/C.
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Scrutiny of pre-shipment inspection report

Bank will examine and scrutinize the following:

- Whether the entire document required by the credit is submitted.
 - Documents to be consistent with one another.
 - Documents to be presented with in the stipulated time.
 - Documents to be issued by the authorized person as stipulated in the credit.
 - Documents to be examined as per credit terms & international standard Banking practice.
-

After examination, if the documents become discrepant. Issuing Bank will serve refusal notice to the negotiation/presenting Bank with seven banking days. The notice must state all discrepancies and must also state whether it is holding the documents at the disposal of or is returning them to the presenter.

Lodgment of Import Documents:

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

Procedures of Lodgment:

Bill register: Bank will entry the documents in the bill register. Bill register must include date of Lodgment, Bill No., Bill of Exchange No, Amount, and Name of the Negotiation Bank, B/L no & date, merchandise, retirement date & other particulars.

Application of rate: Foreign Currency would be converted at B.C selling rate ruling on the date of Lodgment.

Exchange Control Form: IMP & Tm form must be filed in and signed by the importer at the time of Lodgment.

Endorsement of LCAF: LCA form must be endorsed showing utilization of shipment.

Noting on the File: Utilized amount showing bill no to be noted on the printed format of L/C file.

Retirement of Documents:

Importer is to be advise on the date of lodgment of documents with full particulars of shipment to entire the documents against payment or to dispose the import documents as per pre-arrangement, if any. Subsequent reminders are also to be issued very week till retirement of the bill. Such bills will be considered and be reported as overdue if the importer fails to retire the documents with 21 days of arrival of the relative import-consignments at the port of destination.

When the importer intends to retire the documents, the branch will prepare following retirement vouchers for adjustment of PAD liabilities there against:

Dr. Party's A/C

Cr. PAD A/C

Cr. Telex charges

Cr. Income A/C: Interest on PAD

Thereafter the documents may be handed over to the importer against proper acknowledgement after certification endorsement.

Issuance and Disposal of LCAF:

All imports transacted through the bank shall require LCA form. The LCAs are issued in sets of six (6) copies each. Of these, the one marked, "For Exchange Control Purchase" should be used for opening L/C and for effecting remittance.

- The branch should not issue blank LCAFs to their clients. The importer should himself sign the LCAF in the presence of an officer of the branch. An authorized official of the branch should put his signature with date and seal on the LCAF, evidencing verification of the importer's signature and import entitlement as per current IPO.
- If foreign exchange is intended be bought from the Bangladesh Bank against an LCAF it has to be registered with Bangladesh Bank's Registration Unit.
- Where no F.C fund is required from Bangladesh, LCAFs are need not to be the registered with Bangladesh Bank, the branch will send the third & fourth copies LCAF along with the copy of the L/C and amendments thereto to the area office of the CCI & E within 15 days retaining other copies with the branch.
- LCAFs issued for import of capital machinery and spares will remain valid for remittance for 18 months subsequent to the month of issuance.
- When L/Cs are opened, full particulars thereof must be endorsed on the bank of the Exchange Control copy of the LCAF under the stamp and signature of the branch.
- LCAFs can normally be utilized on CRF basis. Full LCAF value is therefore not remittable as F.O.B value goods. The branch should also give a certificate to the importers to the effect that the amounts of freight, handling charges. etc. has been endorsed on the relative LCFA.

Back-to-Back L/Cs:

The branch may open back to back import L/Cs against export L/Cs received by export oriented industrial units opening advise the beneficiary under the bonded warehouse systems, subject to observance of domestic value addition requirement prescribed by the NBR/Ministry of Commerce from time to time. The following instructions should be complied with while opening Back-to-Back Import L/Cs:

- The unit requesting for this facility should process valid IRC, ERC and valid bonded warehouse license.
- The branch shall hold the Master Export L/C affixing bank lien stamp thereon and be kept in safe for security purpose.
- The master export L/C should have validity period adequate to the time needed for importation of inputs, manufacture of merchandise, and shipment to consigned.
- The Back-to-Back L/C value shall not exceed the admissible percentage of net FOB value of the relative mater export L/C.
- The Back to Back import L/C shall be opened on up to 180 days usance (DA) basis except in case of those opened against Export Development Fund administered by Bangladesh Bank in which case the back to back L/C will be opened on sight (DP) basis.
- Interest for the usance period shall not exceed LIBOR or the equivalent interest rate in the currency of settlement.
- All amendments of the master export L/C should be noted down carefully to rule out chances of excess obligation under the back-to-back import L/C.
- Back-to-Back L/C can either be local or foreign. Inland BTB L/Cs denominated in foreign exchange may be opened in favor of local suppliers or manufacturer under bonded warehouse system up to value limits applicable as per prescribed value additional requirement.

Export:

Export means law fully carrying out any thing from one country to another country for sale. No person can export anything from Bangladesh, unless he is registered with the CCI & E, under the registration order 1952.

Legal Requirements:

Although payment aspects of export are Bangladesh Bank's concern, the Export policy Order announced by the Ministry of Commerce controls physical aspects. Bangladesh has set out elaborate procedure and laid down detailed rules and regulations concerning Export and Export payments. All exports, to which the requirement of declaration applies, must be declared on the EXP form. The branch should before certifying any export form, consider and take notice of the following:

- The intended exporter shall have valid Export registration Certificate.
- Payment for goods exporter from Bangladesh should be received through the branch in freely convertible foreign currency or in Taka form a non-resident Taka account of a bank branch or correspondent abroad.
- Commission, brokerage and other trade charge are admissible only up to a maximum of 5% the value of goods. The charges beyond 5% may be admissible subject to prior approval of the Bangladesh Bank.
- In respect of export of goods by land route or by sea, the Bill of Lading, Railway Receipts, and other documents of title to cargo should be drawn only to the order of ShahjalalIslami Bank Limited.
- In respect of export goods by air, the Airway Bill and any other documents of title to cargo should be drawn the order of a bank in the country of import nominated by the bank.

Procedure for obtaining Export Registration Certificate (ERC):

For obtaining Export Registration Certificate from CCI & E the following documents are required:

- Application for ERC.
- Nationality Certificate.
- Trade License.
- Income Tax Certificate.
- Memorandum & Articles of Association and Incorporation Certificate, in case of company.

- Bank Certificate.
 - Copy of rent receipt of the Business Firm.
 - Treasury Challan for payment of fees.
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Export L/C Advising:

Advising Bank shall take reasonable care to check the apparent authenticity of the credit, which it advises. If the Bank elects not to advise or cannot establish apparent authenticity, it must inform to the issuing Bank without delay. The Bank also may advise unauthenticated credit, informing the beneficiary that it has not been able to establish the authenticity of the credit, (UCP Article-7).

Bank will make entry of the L/C, in the L/C advising register, with its full particulars, putting separate serial number under different Issuing Bank. Subsequent amendments are also to be recorded under correspondent L/C.

Bank will advise the photocopy of the L/C, keeping the original in the records, in case of L/C in telex L/C advising commission to be realized accordingly.

Verification of L/C:

Upon receipt of an export L/C, Exporter will verify the L/C carefully, particularly the following points:

- Bill of Lading must not allow blank endorsement. B/L to be endorsed favoring a Bank, other than the Issuing Bank, is also risky & should avoid accepting such kinds of B/L clause. B/L must not be to the importer in abroad.
 - Name & Description of the goods to be cleared & the item to be available and not banned by the export policy.
 - Unit price to be consistent to total value of the L/C considering the quantity of the goods.
 - Payment clause must be unconditional & specific.
 - Required documents to be easily prepared able.
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- L/C must be subject to UCPDC publication No: 500, 1993 revision or amendment there of from time to time.
 - L/C to be freely negotiable.
 - Place of Expiry of the credit must be in Bangladesh.
-

General Rules for Export:

There are some rules, which are mandatory for export of any goods from Bangladesh. The rules are as under:

- No person can export any goods from Bangladesh, unless he is duly registered as an exporter with the CCI & E.
- All export must be declared on the EXP form, which is consisting of 4 copies.
- Export must be against any of the following:

* Export L/C

* Firm Contract

* Advance Payment

- Transport documents related to land route or sea and any other documents of title to cargo, should be drawn only to the order of an Authorized Dealer. The Airway bill and any other documents of title to cargo may be drawn to the order of a bank in the country of import.
 - The exporter must submit 'EXP' to the Bank & Bank will submit the Duplicate Copy to the Bangladesh Bank within 14 days from the date of shipment.
 - Payment for goods exported should be received through an authorized dealer in freely convertible currency.
 - The exporters must receive export proceeds within 4 Months.
 - Overdue export bill statement to Bangladesh Bank should be submitted by the 15th of the month, following the quarter to which it relates.
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- In case of short shipment, exporter should give a notice of short shipment on the prescribed form in duplicate to the customer, who will forward a Certified Copy of the notice, to the Bangladesh Bank.
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Issuance of EXP forms:

Banks will certify EXP form only after confirming the following:

- Arrangements have been made for realization of Export proceeds.
 - Bonafides of the importer/consignees abroad.
 - Authorized dealer of documents of title to goods has made arrangements for receipt.
 - The EXP has been signed by the exporter.
-

Stages and Mechanisms of Export:

There are some stages and mechanisms are mention below:

- Exporter will make the goods ready for shipment.
 - Arrangement has to be taken for inspection of the goods by the competent authority as per credit terms.
 - Exporter will declare export on EXP form against export L/C firm contract/advance payment.
 - Exporter have to arrange approval for export from custom authority on EXP form by submitting Export L/C, Export permission from CCI & E, Quota clearance from EPB, U.D in case of garments, invoice, packing list along with shipping bill prepared by C & F agent.
 - After completion of custom formalities, shipping company will receive the goods and will issue B/L.
 - Exporter will collect visa/license and certificate of origin for final documentation.
 - Negotiating Bank will dispatch the documents to the issuing Bank for clearance of the goods from port of destination against payment as per credit terms.
-

Export Financing:

To meet up the cost of the goods to be exported, the exporter may require Bank finance. Besides, he may require finance for go down rent, freight etc. Even after shipment of the goods, exporter may require Bank finance to meet-up his current expenditure up to repatriation of the export proceeds. There are two types of export finance:

- Pre-shipment finance.
 - Post shipment finance.
-

a) Pre-shipment Finance:

Pre-shipment investment (PSI) is finance, allowed by a Bank to an exporter, to meet the cost up to the shipment of the goods to overseas buyer. The purpose of the investment is to purchase raw materials or finished goods or manufacturing, processing, packing and transporting the goods.

Limit of Pre-shipment Finance:

- As per existing rule Banks can extend pre-shipment facility up to 90% of export L/C value (FOB value)
 - Bank will finance within the Head office sanction limit for the concerned Client.
 - Other liabilities of the client with the Bank also to be considered for extending Pre-shipment facility.
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b) Post shipment Finance:

There is a time gap between export of the goods and realization of the proceeds. So exporter may require finance in that period to continue his business. So Bank may finance against export documents ensuring the following.

- Export documents comply the credit terms.
 - Buyer is bonafide.
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- Party's past performance is satisfactory.
 - Any other security in case of export under contract.
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Scrutinization, Negotiation and Collection of Export Bill:

Upon receipt of the documents, the branch shall examine the documents with the L/Cs. If the documents appear in their face not to be in compliance with the terms and conditions of the credit the beneficiary may be advised to rectify the discrepancies are not possible to be rectified the following ways are open for disposal of the documents:

- The best way is to refer the matter to the issuing bank by telex detailing the discrepancies for acceptance. On having tested message of acceptance, the documents may be negotiated.
 - The branch may negotiate the discrepant documents under reserve or against submission of indemnity by the exporter when the beneficiary of a L/C is not a customer of the branch, in that case the indemnity of the beneficiary's bank may be obtained.
 - The branch may send the documents on collection basis with the permission of the exporter.
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a) Export Bill Security Checklist:

General:

- Late shipment
 - Late presentation
 - Early shipment
 - L/C Expired
 - L/C over-drawn
 - Partial shipment or transshipment beyond L/C terms.
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Bill of Exchange:

- Amount of B/E differ with Invoice
- Not drawn on L/C issuing Bank
- Not signed
- Tenor of B/E not identical with L/C
- Full set not submitted

Invoice:

- Not issued by the beneficiary
- Not signed by the beneficiary
- Not made out in the name of the applicant
- Description, Price, Quantity, sales terms of the goods not correspond to the credit
- Not marked one fold as original
- Shipping marks differ with B/L & Packing List.

Packing List:

- Gross Wt. Net Wt. & Measurement, Number of cartons/packages differ with B/L
- No marked on as original
- No signed by the beneficiary
- Shipping marks differ with B/L

Bill of Lading/Airway Bill etc.:

- Full set of B/L not submitted
- B/L is not drawn or endorsed to the order of ShahjalaIslami Bank Limited.
- “Shipped on Board”, “Freight Prepaid” or “Freight Collect” etc. Nations are not marked on the B/L.
- Name & Address of the Notify Parties are not mentioned or differ with L/C.
- B/L not indicate the name and the capacity of the party i, e carrier or master, on whose behalf the agent is signing B/L
- Shipped on Board nation not showing name of pre-carrier vessel/intended vessel.
- Shipped on Board nation not showing port of loading and vessel name.
- Short From B/L
- Charter party B/L.

- Description of goods in B/L both agrees with that invoice, B/L & P/L
 - Alteration in B/L not authenticate
 - Loaded on Deck.
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b) Negotiation:

If the documents are found in order or if the discrepancies are covered by the indemnity of the exporter or by negotiation authorization of the issuing bank, a proposal sheet for negotiation would be prepared as per bank's format indicating the full particulars of shipment/export and discrepancies, if any. Under the signature of authorize person and should be placed to the manager for disposal instruction/sanction.

Particulars of export bills and negotiation are to be recorded in the foreign bill purchase register assigning a number to each export bill. The branch then, may make payment to the party by passing the vouchers as per calculation as shown in the negotiation proposal at O.D sight buying rate or at usance buying rate as per respective of the usance bills. The branch will realize overdue interest @ 16% per annum from all export bills after 21 days from the date of negotiation of proceeds.

On realization of proceeds following voucher to be passed:

- Dr. SBL General A/C on Nostro A/C: For Negotiated value F.C value @ ready buying for USD or ACUD or CHF or TT Clean buying for other currencies.

Cr. FDBP A/C: For negotiated amount B.D Taka.

Cr. Income A/C: Exchange Gain on FDBP.

- Dr. SJIBL General A/C on Nostro A/C: Realized F.C value less F.C value @ O.D sight export.
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Cr. Exporter F.C held A/C: F.C amount @ O.D sight (export)

For realization of overdue interest (where export bills are realized after days of negotiation):

- Dr. Customer A/C: For actual overdue interest @ 16%

Cr. Income A/C: Interest on FDBP.

c) Mailing of Export Bill:

The branch shall mail export bills under a Forwarding schedule enclosing all documents as per export L/C by DHL or any other internationally reputed courier service to the issuing bank. The branch also incorporates appropriate payment instruction in the forwarding schedule mentioning number of bank's Nostro account with bank name and address. Acknowledgement receipt of the courier service and the office copy of the export bill to be filed and are kept in safe for reporting and inspection purpose.

Transfer of L/Cs:

The branch at the request of the original beneficiary (first beneficiary) may execute transfer of L/Cs to the subsequent beneficiary (second beneficiary), for doing so, the first beneficiary must maintain an accounting relationship with the branch and the branch will verify his signature on the request letter.

A letter of credit can be transferred once only if it is expressly stated, as "transferred" only on the terms and conditions specified in the original L/C with the exception of L/C amount, unit price, expiry date, presentation time of documents and shipment validity, any or all of which may be reduced or curtailed. In addition, the same of first beneficiary can be submitted for that of the applicant, but if the name of the applicant is specially required by the original L/C to appear in any documents other than the invoice, such requirement must be fulfilled.

A transferable credit can be transferred once only i.e., second beneficiary cannot transfer the L/C to any subsequent third beneficiary. However, a credit can be transferred to more than one second beneficiary and when transfers are made in part it should be verified that the original L/C permits part shipment and the aggregate of such transfer must not exceed the original L/C.

The branch shall verify the signature of the transferor and authenticate the transfer under seal and signature of an authorized officer expressly stating that the bank does not assume any responsibility/obligation in this behalf. The branch shall check the apparent authenticity of the L/Cs with the L/C at their custody. Each and every transfer must be enclosed on the bank of this original L/C so as to avoid transfers of amount beyond the credit value.

Foreign Remittance:

SJIBL Foreign Exchange Branch has no authority to open FCA. This Branch is depended on Dhaka Main Branch. Convertibility of Taka in current account transactions symbolized a turning point in the country's exchange management and exchange rate system. Now the operations of foreign currency accounts have been more liberalized. Funds from these A/Cs are freely remittable to any country according to the needs of A/C holder. Foreign Remittance is classified into two way-Outward Remittance and Inward Remittance.

Outward Remittance:

On March 24,1994 Bangladesh Taka was declared convertible for current account international transaction. As a result, remittance became more liberalized. Outward remittance include sale of Foreign Currency by T.T, M.T, Draft, T.C or in cash for private, official and commercial purpose.

Present Limit for outward Remittance:

A) Private Remittance

1. Family Maintenance:

- Foreign nationals working in Bangladesh may remit 50% of salary and 100% of leave salary as also actual saving and admissible pension benefits for their family maintenance.
- Moderate amount of Foreign Currency for maintenance abroad of family members (spouse, children, parents) of Bangladesh nationals are allowed.

2. Member ship/Registration fees etc.: ADS are allowed to remit membership fees of foreign professional and scientific institutions and fees for application, registration, admission, examinations in connection with admission into foreign education institute, supported by demand notice letter of the concerned institution.

3. Education: ADS may release foreign exchange favoring Bangladeshi students studying abroad or willing to proceed abroad for study according to the following drill:

- Application by the student as per prescribed formant.
- Admission letter issued by the concerned institution.
- Estimate relating to Tuition Fee, Lodging and Incidental Expenses issued by the concerned institution.
- Attested copies of Education Certificates.
- Valid passport.

4. Travel: Private travel quota entitlement of Bangladesh national is set at USD 3000 per year for visit to countries other than SARC member countries and Myanmar. Quota for SARC member countries and Myanmar is USD 1000 for travel by Air and USD 500 for travel by Overland route.

5. Health & Medical: The ADS may release up-to USD 10,000 for Medical Treatment abroad on the basis of the recommendation of the Medical Board.

6. Foreign Nationals: The ADS may issue T.C to foreign nationals without any limit & currency notes up-to USD 300 against surrender of equivalent Foreign Currency.

7. Remittance for Hajj: ADS may release F.C to the intending pilgrims as per instructions circular to be issued by the Bangladesh bank each year.

B) Official and Business Travel

1. Official Visit: For official or semi-official visits abroad by the officials of Govt. autonomous/semi-autonomous institutions etc. ADS may release foreign exchange as per entitlements fixed by the ministry of Finance from time to time. In such cases, the applicant for foreign exchange shall be required to submit the sanction letter and the component authority's order/notification/circular authorizing the travel.
 2. Travel Quota for New Exporter: ADS may release up-to USD 6000 to a new exporter for Business Travel abroad against recommendation EPB.
 3. Travel Quota for Importer: Subject to annual upper limit of US\$ 5000 importers are entitled to a Business Travel quota @ 1% of their imports settled during the previous financial year. Local producers are also entitled to Business travel quota as above.
 4. Exporters Retention Quota: Merchandise exporters may retain up-to 40% realized FOB value of their export. It is 7.5% for export of goods having high import content.
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Travelers Cheque (TC):

Travelers Cheque (TC) is an instrument for a specific amount of widely accepted foreign currencies, issued in favor of Travelers/Visitors to carry foreign exchange for meeting their expenses in abroad. Travelers cheque may be in different currencies, such as US\$, Pound Starling, Japanese Yen, Saudi Real, Canadian Dollar, French Frances, German Marks, Swiss Frances, etc.

Procedure of T.C Issue:

- a) Insure that the intending traveler is a client of the Authorized Dealer (AD) Bank or is sufficiently well known to the AD Bank.
 - b) The intending travelers must come to the Bank with the following documents to have the T.C.
 - Valid Passport.
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- Confirmed Valid Air Ticket.

c) Verification of the Passport & Air Ticket regarding validity, Illegibility, status etc. of the same.

d) Filling up the T/M form by the purchaser and signing on that T/M.

e) Realization of required fund.

f) Fill up the purchase Agreement Form (PAF) regarding the name, address etc.of the purchaser, T.C series no. Date of issue, amount etc, and give endorsement on the passport.

g) Be sure that purchaser signed all cheques in the upper left side of the cheque, only one person may sign any cheque.

h) Use original P.A.F. for settlement and retain duplicate for records.

i) Two sets of Photographs of Passport and Air Ticket to be obtained.

Procedure of Encashment:

Travelers Cheques (T.C) to be Encashment Observing the following Formalities,

- Compare the counter signature with the original signature. Cheque will not be honored if signatures differ.
 - Additional signature may be obtained if the signature differs.
 - Blank cheque-should not be Encashed.
 - Previously counter signed cheques not be Encashed.
 - Be aware of large Encashment & take caution against hurry.
 - Check the passport endorsement, purchase contract of the purchaser if available.
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If the dealing Officer is satisfied regarding the genuineness of the purchaser and the T.C. then he can pay equivalent Local Currency to the customer. And record the T.C. in inward Remittance Register.

Inward Remittance:

The term inward remittance includes not only purchase of Foreign Currency by TT.MT. Draft etc. but also purchase of Bills, purchase of Traveler's Cheque. Utmost care should be taken while purchasing currency, Notes, T.C, DD, & similar instrument for protecting the Bank from probable loss as well as safety of the Bank officials concerned.

Purchase of Foreign Currency Notes T.C & DD:

Following General observations are required to purchase the above:

- Currency notes to be checked very carefully so as to avoid risk of purchasing counterfeit notes.
- While purchasing T.C signature of the holder to be obtained on the Travelers and should be verified with the signature of the holder given at the time of issuance of T.C passport of the seller as well as purchase contract of the T.C to be asked for to ensure genuineness.
- Draft should not be purchased unless the holder is a regular customer of the Bank. Indemnity bond to be obtained for recovering the amount paid to the holder in case of dishonor.
- Private cheque should not be purchased without prior approval of head office.

Opening of FC Account:

The Authorized Dealership may without prior approval of Bangladesh Bank open Foreign Currency Account in the name of:

- Bangladeshi nationals residing abroad.
- Foreign nationals or firms residing/operating in Bangladesh or abroad.
- Foreign missions and their expatriate employees.

- Exporters.
 - Diplomatic Bonded Ware House (Duty free shops) licensed by custom Authorities.
 - Local and joint venture contraction firms employed to execute projects by foreign donors/international donor agencies.
 - Bangladeshi nationals working with the Foreign/International organization operation in Bangladesh if salary is paid in Foreign Currency.
 - Bangladeshi nationals who are ordinarily resident in Bangladesh may open FC account will Foreign Exchange brought in at the time of their return to in Bangladesh from visit abroad.
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Documents required for opening FC A/C:

a) For Bangladeshi Nationals:

- Opening Form i.e.: Application, Signature Card, Nomination Form If Any, to be duly filled in and signed by the applicant and the nominee.
 - Original passport to be submitted for the verification and photocopy of first seven pages to be submitted for preservation.
 - Two copies Passport size photographs of both the account holder and the nominee are to be submitted, photograph of nominee to be attested by the A/C holder and account holder photo to be attested by the authorized officer of the Bank.
 - Service contract in English or Bengali version to be submitted with the account opening form.
 - If the intending person desire to open A/C forms abroad the necessary papers are to be sent duly attested by authorized officials of Bangladesh EBBAssy working there. All signatures are to be same that of passport.
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b) For Foreign Nationals/Company/Firms:

- Two copies of photographs of account holder.
 - Copies of relevant pages of Passport.
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- Copy of service contract/appointment letter/work permit etc.
 - Copies of Registration in Bangladesh with Board of Investment for Foreign/Joint venture firm.
 - Copies of memorandum and Articles of Association/Laws/Bye Laws etc. or joint venture Agreement.
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Chapter 5: Finding and Recommendations:

At the time of my internship program, I have worked with the Foreign Exchange Department. I have found some problems regarding 'Foreign Exchange Operation of SJIBL'.

Problems Regarding Foreign Exchange Operation of SJIBL:

- SJIBL wants to follow the rules and regulations of Bangladesh Bank very strictly, but other banks does not doing the same as such they are facing serious challenges in the market as well as to attaining their target also.
 - There is no training institution for the newly recruited officers; accordingly, they fail to provide necessary service to their clients, as they are not well acquainted with foreign exchange operations and the related regulations.
 - There is no Customer Complain Desk, for this reason sometimes it creates cumbersome situations.
 - The bank has no quick online service as other banks do.
 - There is no provision of fixed L/C margin, so those customers are deprived from equal service.
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Recommendations:

I have the practical experience in SJIBL for only three months. With my little experience in the bank, it is very difficult for me to recommend. I have observed some shortcomings regarding

operational activities of the bank. On the basis of my observation I would like to recommend the following:

- Though the performance of general customer services is good, but their employees are not well trained. The department needs to recruit expert human resources to provide good customer service, which will bring effectiveness of the bank's operation.
 - The employees are given deposit target, which creates extra pressure to them for that reason they cannot freely provide customer service. They had to spend most of their time to marketing to fill up their target. If the bank can reduce the pressure then they could be able to provide good service.
 - Margin and commission on L/Cs varies from customer to customer. A customer is allowed to open a L/C at a very low margin depends on Banker's relationship.
 - In case of Export, the Government encourages the exporters by giving different facilities like tax-cuts. I think the bank should also consider about such types of facilities to be given to the Exporters.
 - SJIBL should update its brochure and to be made advertisement on TV so that every initiative of the bank can go at the door of the customers.
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Chapter 6: Conclusion

SJIBL is one of the most renowned bank in the country. It has introduced a new dimension in the field of innovative and benevolent banking in our country. The bank has successfully made a positive contribution to the economy of Bangladesh with in very short period o time. Its profit is gradually increasing. Therefore, SJIBL is trying to establish the maximum welare of the society by maintaining the principles o Islamic Shariah which is based on “Quran” and “Sunnah”. Profit earning is not the only motive and objective of the bank’s overall policy rather emphasis is given in attaining social good and in creating employment opportunities. SJIBL has been established with a view to conduct interest-free banking to establish participatory banking instead of debtor-creditor relationship and finally to establish welfare oriented banking through its overall banking operations that would lead to a just society.

I hope SJIBL do more work for socio-economic development besides their banking business. To keep pace with ever-changing uncertain domestic business environment and face the challenges of revised global economic scenario, the bank should be more proactive and responsive to introduce new marketing strategy to hold the strong position in home and abroad. For the future planning and the successful operation is its prime goal in this current competitive environment. I hope this report can provide a good guideline.

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