



An Evaluation of the Foreign Exchange Operations of NCC Bank Ltd:
A Study of Motijheel Main Branch





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A Study of Motijheel Main Branch

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Letter of Transmittal

Nov.22, 2014

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Subject: Submission of Internship Report on “An Evaluation of the Foreign Exchange Operations of NCC Bank Ltd: A Study of Motijheel Main Branch.”

Dear Sir,

It is a pleasure to submit the report of my internship program on “**An Evaluation of the Foreign Exchange Operations of NCC Bank Ltd: A Study of Motijheel Main Branch.**” to you.

This Internship program has provided me the opportunity to have the practical experience concerning my bachelor degree program by working with the employees of all departments in NCC Bank Ltd, Motijheel. I tried my best to know about the organization by observing its activities. It gave me valuable insights to the professional life in an organization specially about banking system.

I sincerely believe that you will find this study very interesting, informative and enlightening and it will help future researches for extended research in this field.

I, therefore convey my thanks to you for your co-operation, supervision and advice in conducting and preparing this report. I have tried my level best to prepare this report, which I would like to submit to you for your evaluation, is a discussion of my observation. Also I need your kind attention to assess my report considering the limitations of the study. Your kind suggestion will persuade me to perform better research work in future.

Sincerely,

.....

Al Amin

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Certificate of Approval



This is to certify that Alamin (ID No.111-11-2014) is a student of Bachelor of Business Administration of Daffodil International University. He has prepared his internship report under my supervision which is a basic requirement of his BBA degree. He is active, sincere, meticulous, hard working, dutiful and amiable.

I wish his success at every step of his life.

.....

Mohammed Masum Iqbal

Associate Professor & Head

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Acknowledgement

In the preparation of this internship report, I acknowledge the encouragement and assistance given by a number of people from NCC Bank Limited. I am grateful to Mr. Syed Shahadat Hossain VP, Shakawat Hossain AVP, Md. Kutub Uddin Tanvir MTO, Md. Mizanur Rahman MTO, Mr. Kamruzzaman Asst. Officer and I also like to thank all the Department staffs of Divisional Office of NCC Bank Limited for their valuable suggestions giving me helpful support and assurance.

I would like to express my gratitude to my supervisor **Mohammed Masum Iqbal**, for sharing his ideas and interests with me about my study. His contribution boosted my confidence and helped me finish my study on time. At last, I want to show my gratefulness to all the respondents who spared their precious time in answering my questions.

.....

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Executive Summary

The internship is designed to bridge the gulf between the theoretical knowledge and real life experience. It is designed to have a practical experience while passing through the theoretical understanding. The report is the result of three month internship program in NCC Bank Limited. Today necessity of a Bank as a financial institution is undeniable. A country is financially rich when it has modern financial institutions of its own. These institutions play a vital role in the field of financial stability of a country. Banking sector is one of the stable financial institutions of a country. Due to Globalization and Technological changes, the banking business has become very competitive now a day. All banks are competing to give effective real time service to their customers. For giving friendly service to the customers they need experienced and well-educated working force. The overall approach of the report is a descriptive one as it goes into the depth of service quality of NCC Bank Ltd. Here both primary and secondary information were used. Information about the varieties of activities within the Correspondent Banking Department was collected through interviewed. Different circulars and papers of NCC Bank Ltd, Term papers of NCCBL Training manuals, Guidelines for Foreign Exchange Transactions, General Banking Operation manual, Banking Lecture sheet within the organization helped me to gather data about the organization.

The report contains three chapters. **The first chapter** of the report describes the introductory words of the internship report. **The Second Chapter** contains the organizational part of “NCC Bank Ltd.”, Organization Structure of “NCC Bank Ltd.”, Vision of “NCC Bank Ltd.”, and Mission Statement, Product and services of “NCC Bank Ltd.”. **The third chapter contains** Foreign Exchange function, Export/Import procedure, Procedure of Opening the Letter Of Credit (L/C). **On next chapter**, I mentioned Study Results and Findings. After analyzing the data I have tried to show the contribution of NCCBL in the field of Export, Import and



Remittance. The total income of NCCBL of foreign exchange department increased over the years. Total income from Foreign Exchange was Tk. 307,901,831 in 2010 whereas it has increased to Tk. 465,133,566 in 2013. In case of Export and Import the income of overall NCCBL is increasing gradually but the MMB's income is not increasing comparatively. In case of Remittance the income of MMB is increasing comparatively with the overall NCCBL.

NCCBL should take up to the mark structural change in service to cope with the national trend and help Bangladesh earn more remittance. **Lastly in Chapter 5**, I have given some Related problems and their Recommendations, concluding part which is related to my report. The Problems findings during the three-month long internship period & suggestions are given from observation, comparative analysis, strategic point of view etc. To increase the efficacy in customer service NCC Bank Ltd. should try to develop the process of providing services. NCC Bank Ltd. has passed a long way since it is providing services. Already it has earned a strong positioned in the field of customer service. To continue to hold the position and be perfect in this sector it will have to keep more and more attention to the customer retention and development.

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CHAPTER1

INTRODUCTION



1.1 INTRODUCTION

This internship is a part of the Bachelor of Business Administration (BBA) program that provides an on-the-job experience to students. I have completed my Internship period at NCC Bank Limited, Motijheel Main Branch. This internship program was my very first on-the-job exposure and provided me with learning experience and knowledge in several areas. During the first few weeks of my internship period, I was able to get accustomed to the working environment of NCC Bank Limited. As the internship continued, I not only learned about the activities and operations of correspondent Bank, but I also gathered some knowledge about the basic business activities of banking in three month of my internship period.

Generally by the word “Bank” we can easily understand that the financial institution deals with money. But there are different types of banks such as; Central Banks, Commercial Banks, Savings Banks, Investment Banks, Industrial Banks, Co-operative Banks etc. But when we use the term “Bank” without any prefix, or qualification, it refers to the ‘Commercial banks’. Commercial banks are the primary contributors to the economy of a country. So we can say Commercial banks are a profit-making institution that holds the deposits of individuals & business in checking & savings accounts and then uses these funds to make loans.

A company can increase efficiency through a number of steps. These include exploiting economies of scale and learning effects, adopting flexible manufacturing technologies, reducing customer defection rates, getting R&D function to design products that are easy to manufacture, upgrading the skills of employees through training, introducing self-managing teams, linking pay to performance building a companywide commitment to efficiency through strong leadership, and designing structures that facilitate cooperation among different functions in pursuit of efficiency goals.

NCC Bank Limited pursues decentralized management policies and gives adequate work freedom to the employees. This results in less pressure for the workers and acts as a motivational tool for them, which gives them, increased encouragement and inspiration to move up the ladder of success. Overall, I have experienced a very friendly and supporting environment at NCC Bank Limited, which gave me the pleasure and satisfaction to be a part of them for a while. While working in different departments of this branch I have found each



and every employee too friendly to us to cooperate. They have discussed in details about their respective tasks. I have also participated with their works.

1.2 ORIGIN OF THE STUDY

Education system will be more rich and helpful when there is a combination of theoretical and practical relationship with a student. From education the theoretical knowledge is obtained from courses of study, which is only the half way of the subject matter. Practical knowledge has no alternative. The perfect coordination between theory and practice is of paramount importance in the context of the modern business world in order to resolve the dichotomy between these two areas. Therefore, an opportunity is offered by Daffodil International University, for its potential business graduates to get three month practical experience, which is known as “Internship Program”. To complete of the internship program, I was placed in a bank namely, “NCC Bank Limited”, Motijheel Main Branch in Foreign Exchange department for my practical execution. Internship Program brings a student closer to the real life situation and thereby helps to launch a career with some prior experience.

1.3 BACKGROUND OF THE STUDY

NCC Bank Limited is one of the leading private commercial bank having a spread network of 101 branches across Bangladesh and plans to open few more branches to cover the important commercial areas in Dhaka, Chittagong, Sylhet and other areas in 2020. It performs all the modern banking activities to satisfy its clients. This study attempts to analyze the performance evaluation and foreign exchange activities of NCCBL. Through the internship program, close observation was made on different banking activities of NCCBL. Its performance was reviewed and analyzed through the annual report and internal record of the bank.

1.4 SCOPE OF THE STUDY

The study focuses on the foreign exchange operations of NCC Bank Limited, Motijheel Main Branch. The study was wide spread and has greater scope to focus on different aspect of foreign exchange on banking sector but the study probably will not reflect the practices in the overall banking sector. Moreover, it does not include the foreign exchange practices done by the non-banking financial organizations. It focuses on:

- ◆ An overview of NCCBL
- ◆ An overview of foreign exchange activities of NCCBL
- ◆ Import and Export procedure of NCCBL
- ◆ Foreign Exchange performance of NCCBL

1.5 OBJECTIVES OF THE STUDY

- To analyze the Foreign Exchange Operations of the NCC Bank Ltd, Motijheel Main Branch;
- To evaluate Foreign Exchange Operations of the NCC Bank Ltd, Motijheel Main Branch;
- To identify problems related to Foreign Exchange Operations of the NCC Bank Ltd, Motijheel Main Branch;
- To make some recommendations to solve the problems.

1.6 METHODOLOGY OF THE STUDY

1.6.1 SOURCES OF DATA:

Primary Sources of Data

- Officers
- Clients

Secondary Sources of Data:

- Relevant papers and different books and publications
- Annual report of NCC Bank Ltd.
- Newspaper, journal, articles etc.
- Official website
- Brochures of NCC Bank Ltd.
- Various files, balance sheet and various documents.

Target Population

Officers and clients of NCC Bank Ltd.

Sampling Size

The sampling size was 15 clients and 6 officers.

Sampling Method

Convenience sampling

1.6.2 METHOD OF DATA COLLECTION:

- Face-to-face conversation with the officers and clients.
- Observing the activities of different departments of NCC Bank Ltd.

1.7 LIMITATIONS OF THE STUDY

The main problem faced in preparing the paper was the inadequacy and lack of availability of required data. This report is an overall view of Foreign Exchange Operations and performance evaluation of The NCC Bank Ltd. But there is some limitation for preparing this report. These barriers, which hinder my work, are as follows:

The acute problems were-

- ❖ **Secrecy:** Every organization has its own secrecy that is not revealed to others. While collecting data the branch management did not disclose much information for the sake of organizational confidentiality.
- ❖ **Time constraint:** It is something like impossible to cover the entire aspect of all deposit products and their performance phenomena exploiting a three month time period while an employee or an officer is awarded with one or two year probationary period to do his or her particular job.
- ❖ **Inadequate Access to Information:** The main constraint of the study is inadequate access to information, which has hampered the scope of analysis required for the study.
- ❖ **Personal Knowledge:** Since knowledge knows know bound, so this report is incapable to present all things with more depth.
- ❖ **Comparison status:** There were very little opportunity to compare the deposit product of NCCBL and their performance with that of other contemporary and common size banks. It was mainly because of the shortage of time and internship nature.

With all of this limitation trying best to make this report as best as possible. So readers are requested to consider these limitations while reading and justifying any part of my study.

CHAPTER 2

ORGANIZATIONAL OVERVIEW



2.1 NATIONAL CREDIT AND COMMERCE BANK LIMITED: BACKGROUND

National Credit and commerce Bank Limited is one of the fastest growing banks among all the private commercial banks in Bangladesh. It bears a unique history of its own. The organization started its journey in the financial sector of the country as an investment company back in 1985. Prior to conversion into a schedule commercial bank, NCCBL was incorporated as Public Limited Investment Company in Bangladesh on 18th November 1985. It made in journey with a modest beginning on 25th November 1985 with its Head office at 7-8, Motijheel C/A, Dhaka-1000. The aim of the company was to mobilize resources form within & invest then in such way so as to develop country's industrial and trade sector and playing a catalyst role in the formation of capital market as well. Its membership with the browse helped the company to a great extent in this regard. The company operated up to 1992 with 16 branches and this after with the permission of the Central Bank converted in to a full-fledged private commercial Bank in 1993 with paid up capital of Tk. 39.00 corer to serve the nation from a broader platform. It is a progressive commercial bank in private sector in Bangladesh. It gives customize services & maintains harmonious banker customer relationship.

The product / services offered by NCCBL are appended below:

Deposit Products	Lending Products	Money Transmission Products	International Business products	Special Fee Earning Products	Social Services Products
<ul style="list-style-type: none"> • Current Deposit • Short Term Deposit • Savings Bank Deposit • Fixed Deposit • Special Savings Scheme Deposit • Special Deposit Scheme • Premium Term Deposit • Instant Earning Term Deposit • Wage Earners Welfare Deposit Pension Scheme • Money Double Program 	<ul style="list-style-type: none"> • Continuous Loan • Term Loan • Demand Loan • Loan Under SME • Agro-Credit • Special Credit Product • Loan Product for Wage Earners 	<ul style="list-style-type: none"> • Payment Order/Security Deposit Receipt • Demand Draft • Telegraphic Transfer • Outstation Bills for Collection • Travelers Cheque 	<ul style="list-style-type: none"> • Letter of Credit • Back to back Letter of Credit • Buying & Selling of Foreign Exchange • Foreign Demand Draft • Foreign Telegraphic Transfer 	<ul style="list-style-type: none"> • Bank Guarantee • Foreign bank Guarantee • Portfolio Management • Issue Management • Underwriting • Brokerage House • Locker Service • Issuance of Sanchya Patra, Wage earners Development Bond, National Investment Bond, Prize Bond. 	<ul style="list-style-type: none"> • Sale of Lottery Tickets for collection of fund for Social Establishment. • Collection of Zakat Fund. • Collection of Haj Deposit.

2.2 OWNERSHIP PATTERN

Presently the bank is primarily owned by the local sponsors of the country. They hold 49.29% shares and the rest (i.e. 50.71%) is held by the Financial Institutions, Foreign Investors and General Public.

Particulars	% of holdings
Local sponsors	49.29
Financial Institution	14.89
Foreign Investors	0.24
General Public	35.58

Table: Ownership Pattern of NCCBL

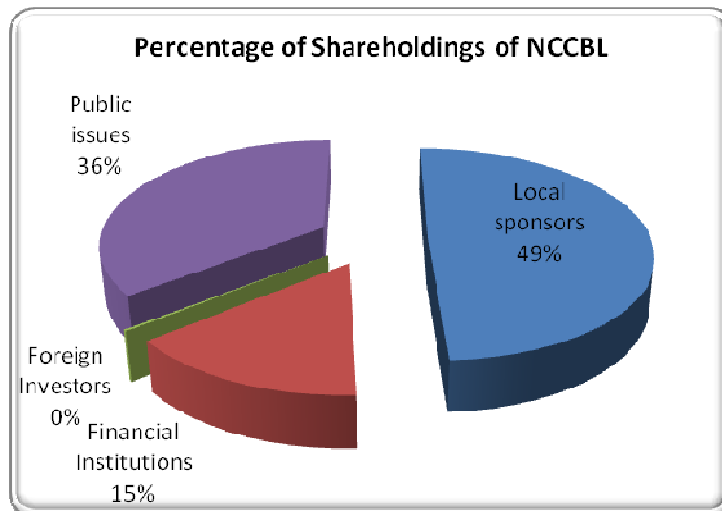


Chart: Percentage of Shareholdings of NCCBL.

2.3 CORPORATE VISION

To become the Bank of Choice in serving the Nation as a progressive and Socially Responsible financial institution by bringing credit & commerce together for profit and sustainable growth.

2.4 CORPORATE MISSION

- Delivering excellent financial service for communities based on strong customer relationship.
- Providing long lasting solutions that combine cutting edge technology, experience and financial strength to clients and stakeholders.
- Creating a cohesive and friendly environment where customers and people can excel.

2.5 POSITIONING STATEMENT

NCC Bank is a contemporary, upbeat brand of distinctive quality of service and solution that offers a rewarding banking experience as preferred choice of banking partner every time, everywhere.

2.6 OBJECTIVES OF THE BANK

NCCBL has several objectives. These are:

- ▶ To encourage and broaden the base of investments.
- ▶ To provide for good profit and sound growth.
- ▶ To develop the capital market.
- ▶ To mobilize savings.
- ▶ To be most effective bank in terms of technology application.
- ▶ To value and respect the customer and maintain harmonious banker customer relationship.

2.7 VALUES OF THE BANK

- Professionalism
- Integrity
- Accountability
- Confidentiality
- Commitment

CHAPTER 3

FOREIGN EXCHANGE OPERATIONS



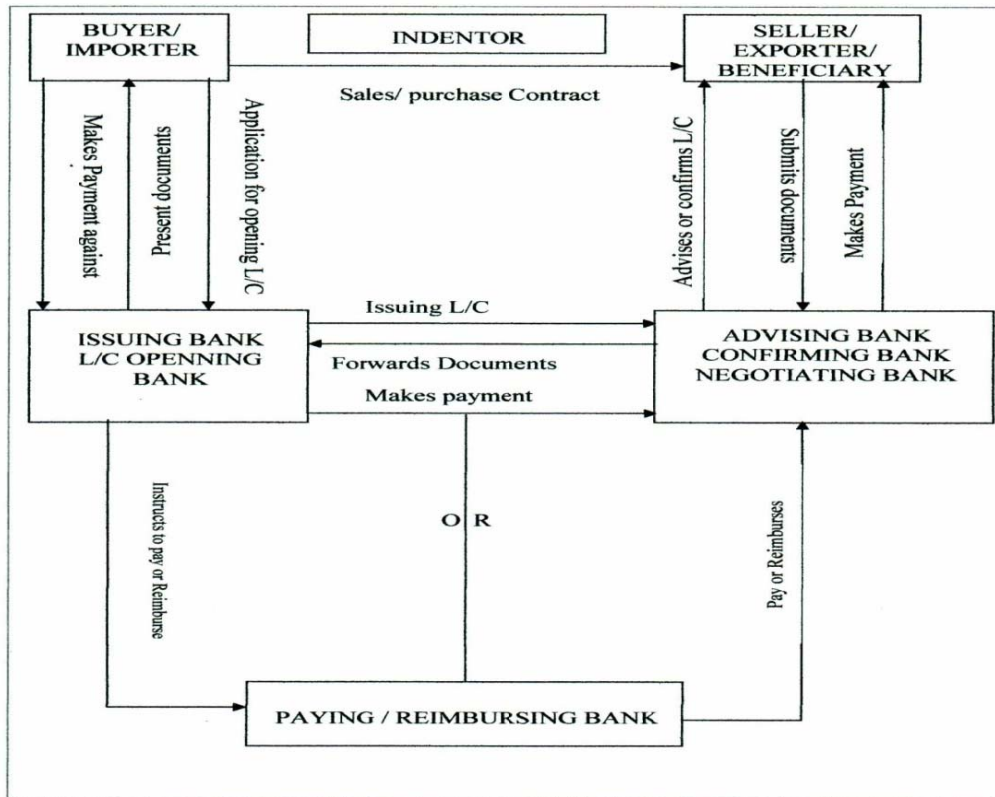
3.1 INTRODUCTION

Foreign Exchange means exchange foreign currency between two countries. If we consider 'Foreign Exchange' as a subject, then it means all kinds of transaction related to foreign currency. In other words foreign exchange deals with foreign financial transactions.. These transactions are the basis upon which international trade is made. As more than one currency is involved in foreign trade, it gives rise to exchange of currencies, which is known as Foreign Exchange. There are three kinds of foreign exchange Transaction:

1. Import
2. Export
3. Remittance

Undoubtedly NCCBL provides best services mainly in foreign exchange to the society through perfect utilization of its fund. The bank takes a vital part in export and import business of Bangladesh through their regulatory services.

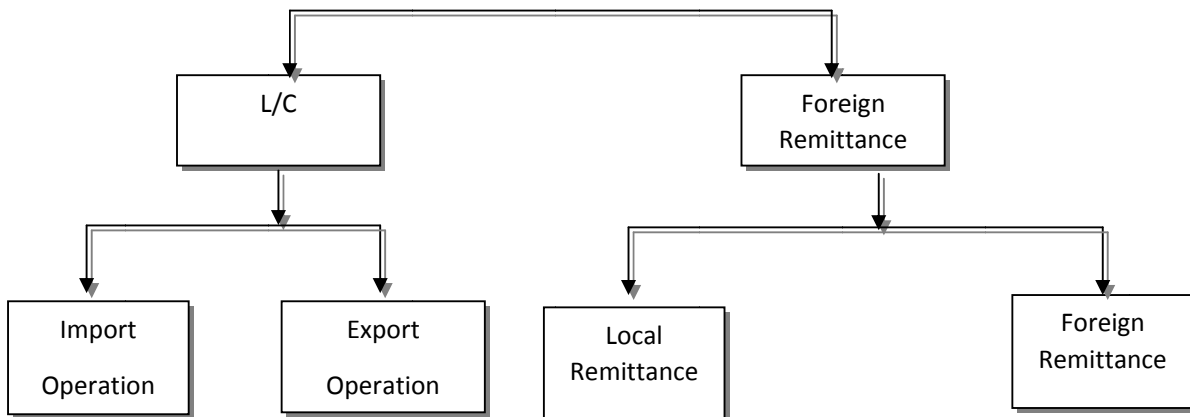
3.2 FOREIGN EXCHANGE MECHANISM



3.3 FOREIGN EXCHANGE DEPARTMENT

Foreign exchange department of NCCBL Motijheel Main Branch:

Foreign Exchange Department



3.3.1 Letter of Credit (L/C)

Letter of credit (L/C) can be defined as ‘Credit Contract’ whereby the buyer’s bank is committed (on behalf of the buyer) to place an agreed amount of money at the seller’s disposal under some agreed conditions. The letter of credit authorized the buyers to pay when all the stipulated conditions have been met. A letter of credit gives some assurance to the seller that the buyer is solvent.

Parties involve in Letter of credit

- **The issuing bank:** This is the bank, which issues Letter of credit on account of its client.
- **The advising bank:** If the intermediary bank simply advises/ notifies the L/C to the exporter without any obligation on its part, it is called “Advising Bank.
- **Negotiation bank:** The bank that negotiates the bill of exporter drawn under the credit is known as negotiating bank..
- **Reimbursing bank:** When the other renowned bank to make sure the foreign bank to get back their payment through the issuing bank, then it is called the reimbursing bank, for this guarantee the reimbursing bank will get charges.
- **The Applicant/Importer/Buyer:** Applicant means the party on whose request the credit is issued.

- **The Beneficiary/Exporter/Seller:** Beneficiary means the party in whose favor a credit is issued.
- **Notify party:** The party/ bank to which the arrival of shipment has to be notified or to be informed, is called notify party.

Types of letter of credit

We can divide L/Cs into two broad categories.

Revocable L/C: The terms and conditions of L/C can be changed at any time without the consent of or notice of the beneficiary. In case of seller (Beneficiary) revocable credit involves risk. A revocable credit may be amended or cancelled by the issuing bank prior notice to the beneficiary. On the other hand revocable credit gives the buyer maximum flexibility. This kind of L/C does not exist in our country.

Irrevocable L/C: The terms and conditions of L/C cannot be changed. This kind of L/C exists in Bangladesh. It is a definite undertaking of the issuing Bank, provided that the stipulated documents are presented to the nominated Bank. Once this commitment has been entered into, the bank cannot disown its responsibility without the agreement of the beneficiary. A unilateral amendment or cancellation, as in the case of a revocable credit is not possible in case irrevocable, unconfirmed credit.

3.3.1.1 Import

Import of goods from outside Bangladesh is regulated by the Ministry of Commerce in accordance with Import & Export (Control) Act, 1950 and the notification issued there under. In terms of the importers, Exporters & indenters (Registration) order, 1981 no person can import goods into Bangladesh unless he is registered with the Chief Controller of Import & Export (CCI&E) or Exempted from the provision of the said order. Before any Letter of Credit is opened or remittance made on behalf of any importer for import into Bangladesh, Authorized Dealers must verify that the importer is registered with the CCI&E or otherwise exempted from such registration

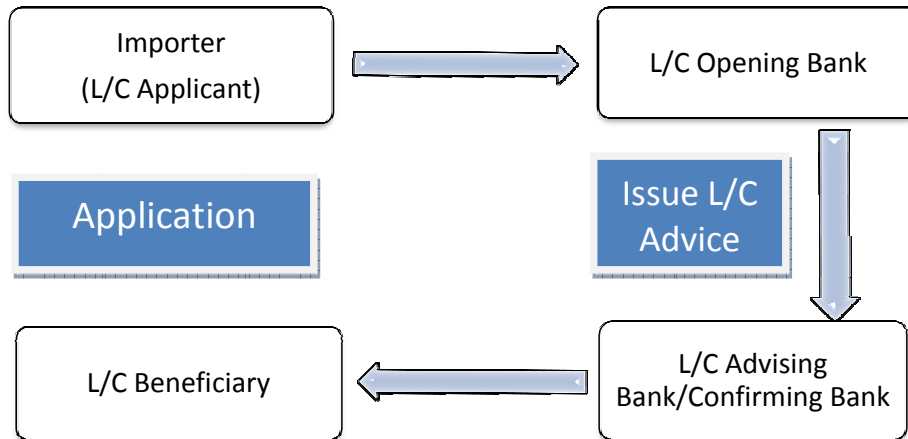


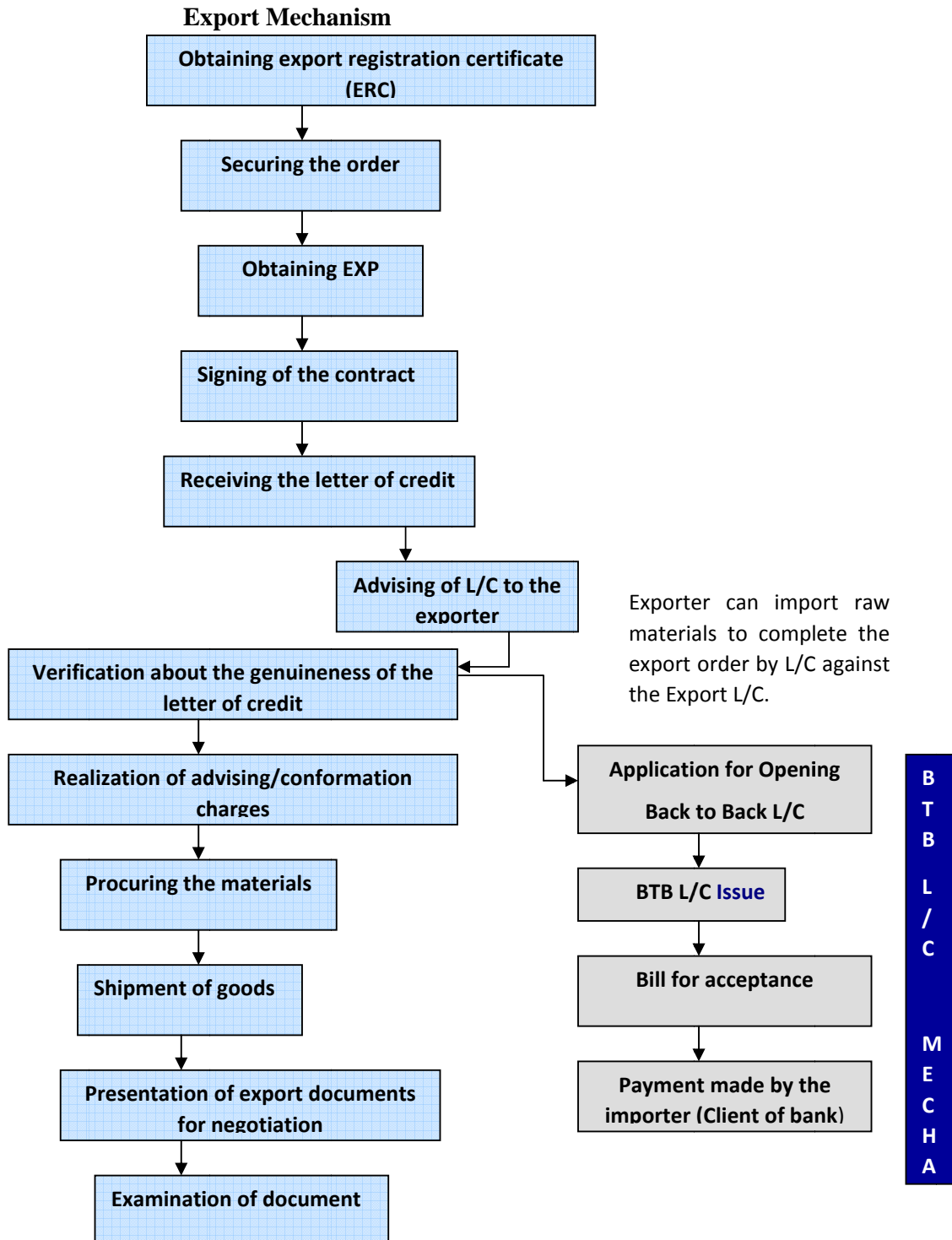
Fig: Advising of a L/C

3.3.1.2 Export

Creation of wealth any country depends on the expansion of production and increasing participation in international trade. By increasing production in the export sector we can improve the employment level of such a highly populated country like Bangladesh. Bangladesh exports most of its readymade garments products to U. S and European Community (EC) countries. Bangladesh exports about 40% of its readymade garments products to U.S. Most of the exporters who export through NCCBL are readymade garments exporters. They open export L/Cs here to export their goods, which they open against the import L/Cs opened by their foreign importers.

Export L/C operation is just reverse of the import L/C operation. For exporting goods by the local exporter, bank may act as advising banks and collecting bank (negotiable bank) for the exporter. NCCBL also has the capacity to support the exporters of businessman's in Bangladesh.

Export Mechanism: The mechanism of letter of credit under export has been shown in below:



3.3.2 Remittance:

Remittance means transferring of fund within country and outside of the country. NCCBL plays an important role to transfer money from other countries to Bangladesh and Bangladesh to other countries.

3.3.2.1 Types of Remittance

Local Remittance: Local Remittance is significant part of the general banking. The bank receives and transfers various types of bills through the remittance within the country. Types of Local Remittance of NCCBL:

- Pay Order (PO)
- Demand Draft
- Telegraphic Transfer
- Mail Transfer

Foreign Remittance: Foreign remittance refers to the transfer of fund from one country to another through the official channel, banking channel post office or the informal channel. In broad sense, foreign remittance includes all sale and purchase of foreign currencies on account of Import, Export, Travel and other purposes.

3.3.3. Media used in Foreign Remittance

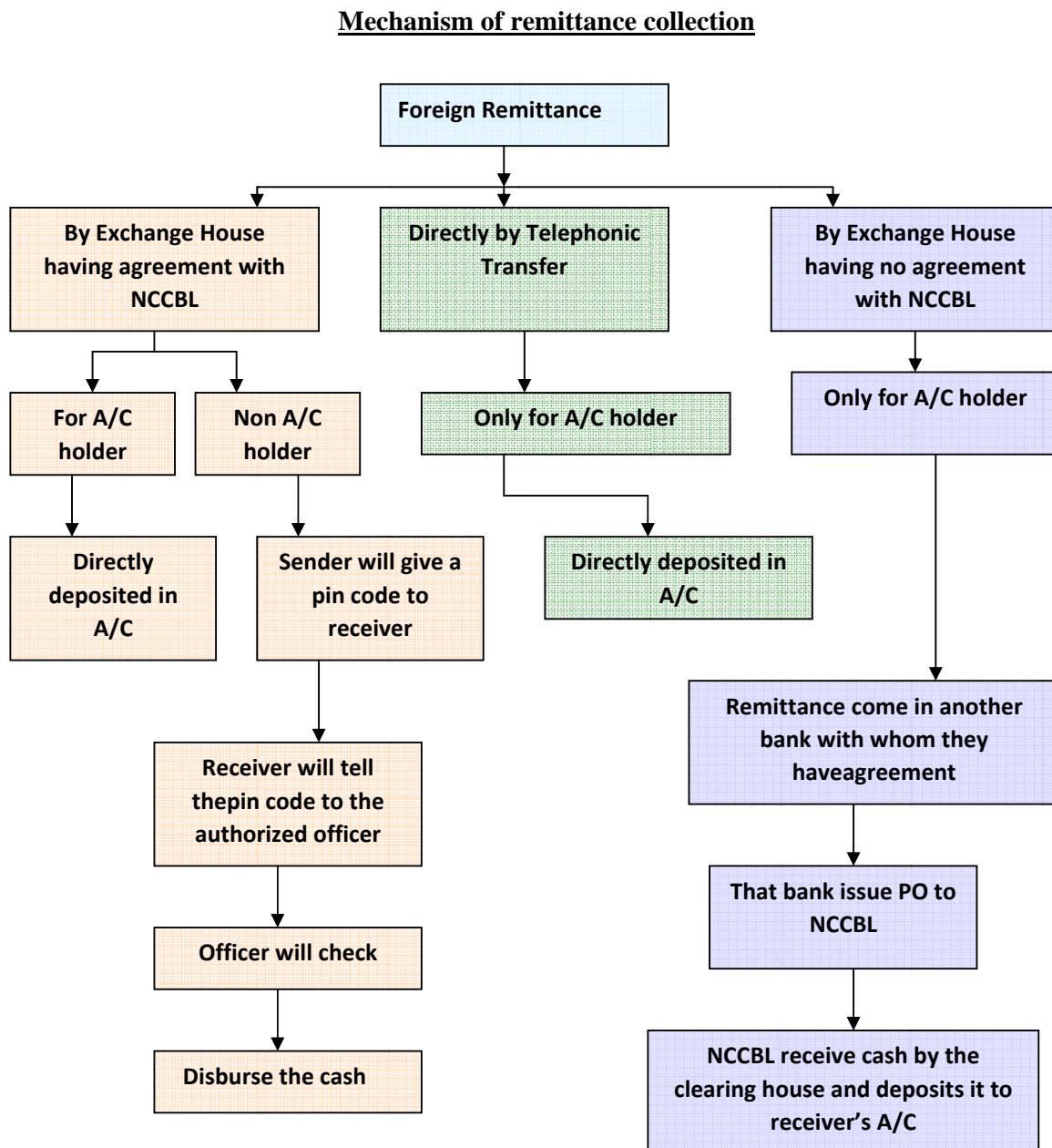
The media to transfer foreign currency:

- Money Gram
- Placid spot cash
- Placid NK corporation USA
- First solution money transfer Ltd, UK
- Express Money
- Dhaka Janata exchange Milan, Italy.
- Wall street Exchange center LLC,UAE
- Federal exchange,UAE

- UAE Exchange

3.3.4. Foreign Remittance Mechanism

NCC Bank Ltd. follows three ways to collect foreign remittance. The mechanism is presented in Figure-3



3.4 FOREIGN EXCHANGE ACTIVITIES OF NCCBL

- i. **Foreign letter of credit (L/C)**
- ii. **Back to Back letter of credit (L/C)**

i. **FOREIGN LETTER OF CREDIT (L/C):**

In case of foreign letter of credit (L/C) Motijheel Main Branch provides the following services:

- a. **Transmission of L/C to beneficiary through advising bank.**
- b. **Additional confirmation to L/C.**
- c. **Amendment of L/C.**
- d. **Accounting treatment.**
- e. **Report to Bangladesh Bank (BB).**

a. **Transmission of L/C to beneficiary through advising bank**

The transmission of L/C is done through tested telex, fax or SWIFT to advise the L/C to the advising bank. The advising bank verifies the authenticity of the L/C. NCCBL has corresponding relationship or arrangement throughout the world by which the L/C is advised. Actually the advising bank does not take any liability if otherwise not requested.

b. **Additional Confirmation to Import L/C**

If the amount of L/C exceeds US \$10000/=, NCC Bank Ltd. takes the credit report of the beneficiary to ensure the worthiness of the supplying goods.

At times, beneficiary of letter of credit does not accept letter of credit (issued by issuing bank), as he is not aware of the credit worthiness of issuing bank. The beneficiary, therefore, insist that a bank in seller's country further confirm such letter of credit. The advising bank can do this if there is prior arrangement between advising and issuing bank. When the correspondent bank (advising bank) in seller's country adds its confirmation to the credit and advises the letter of credit to the beneficiary (seller), the correspondent bank becomes both confirming as well as advising banker and steps into the shoes of issuing banker by undertaking obligations, which are identical to those of issuing banker. The obligations are to effect payment to the beneficiary if documents conform the letter of credit terms.

c. Amendment of L/C

Parties involved in L/C, particularly the seller and the buyer cannot always satisfy the terms and conditions in full as expected due to some obvious and genuine reasons. In such a situation, the credit should be amended. These amendments involve changes in Unit price, Extension of validity of the L/C, Documentary requirements etc.

Such amendments can be affected only if all the concerned parties agree i.e. the beneficiary, the issuing bank and the advising bank.

d. Accounting Treatment

In the foreign exchange, Bank maintain accounting journal entries at the following stages-

- **At the time of L/C opening.**
- **At the time of lodgment.**
- **At the time of document retirement.**

e. Report to Bangladesh Bank

NCC Bank Ltd. sends monthly reports to Bangladesh Bank regarding their foreign exchange activities. NCCBL also ask Permission to purchase foreign currencies for payment of imports under section 4/5 of the foreign Exchange Act, 1947.

BACK-TO-BACK LETTER OF CREDIT:

There is another area of export. In readymade garments sector the exporter has to import the raw materials for completing the order. In that case the exporter may seek financing facility from the bank. In this situation the bank finance the exporter by opening back to back L/C against the Export L/C. There are four types of Back-to-Back L/Cs. These are

- Back to Back Local (Within Bangladesh)
- Back to Back EPZ
- Back to Back EDZ
- Back to Back Foreign

Back-to-back L/C mechanism

- i. Application for Opening Back to Back L/C
- ii. BTB L/C Issue:.
- iii. Bill sent by the beneficiary's bank for acceptance:
- iv. Payment made by the Importer:.

3.5. MODE OF PAYMENT OF BILL UNDER L/C

As per UCP 500, 1993 revision there are four types of credit. These are as follows:

- a. Sight Payment**
- b. Deferred payment**
- c. Acceptance payment**

a. Sight Payment: In a Sight Payment Credit, the bank pays the stipulated sum immediately against the exporter's presentation of the documents.

b. Deferred Payment: Which payment will be clear after a certain period of time that is fixed by the negotiation between the importer and exporter the payment tenure can be 60 days, 90 days, and 120 days is called Deferred Payment. Which tenure will be select that is depends on negotiations.

c. Acceptance Payment: In acceptance credit, the exporter presents a bill of exchange payable to himself and drawn at the agreed tenure (that is, on a specified future date or event) on the bank that is to accept it. The bank signs its acceptance on the bill and returns it to the exporter. The exporter can then represent it for payment on maturity. Alternatively he can discount it in order to obtain immediate payment.

CHAPTER 4
EVALUATION OF FOREIGN EXCHANGE
OPERATIONS



4.1 FOREIGN EXCHANGE PERFORMANCE

Foreign Exchange department of NCC Bank has performed well in last five years where there has been significant growth in different segments of the Bank. Some general observations of the performance of last five years (2010-2013) of the bank are as follows:

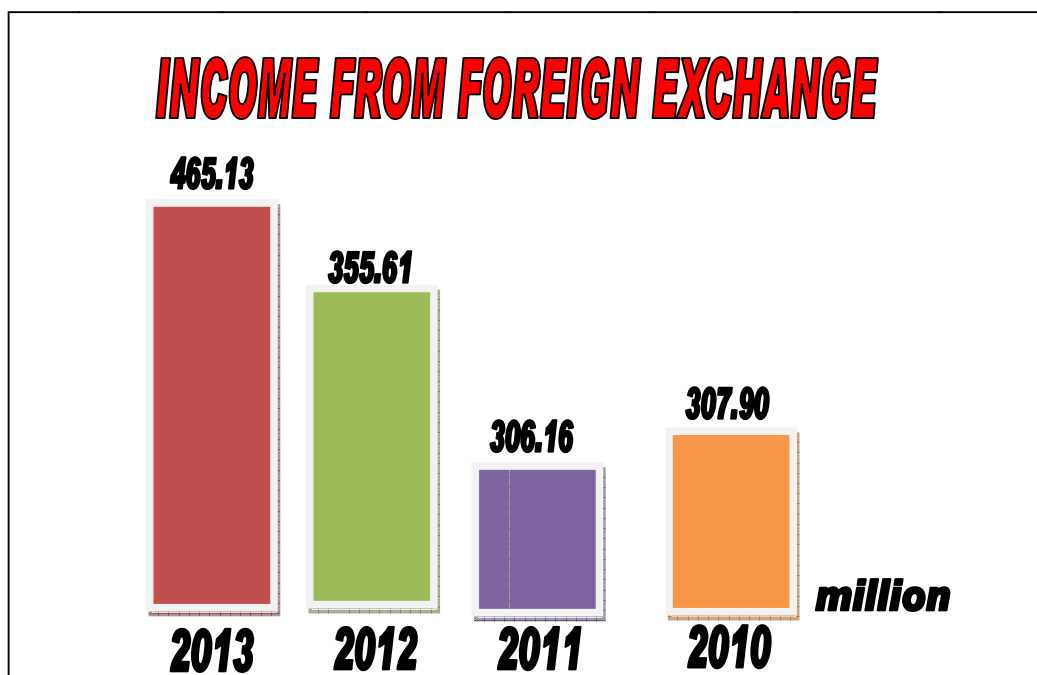
4.2 FOREIGN EXCHANGE INCOME:

4.2.1 INCOME FROM FOREIGN EXCHANGE BY NCCBL

Table 1: Income from Foreign Exchange by NCCBL

Year	2013	2012	2011	2010
Total Income	465133566	355614342	306162733	307901831

Source: NCCBL Annual Report 2013



Source: Self Made

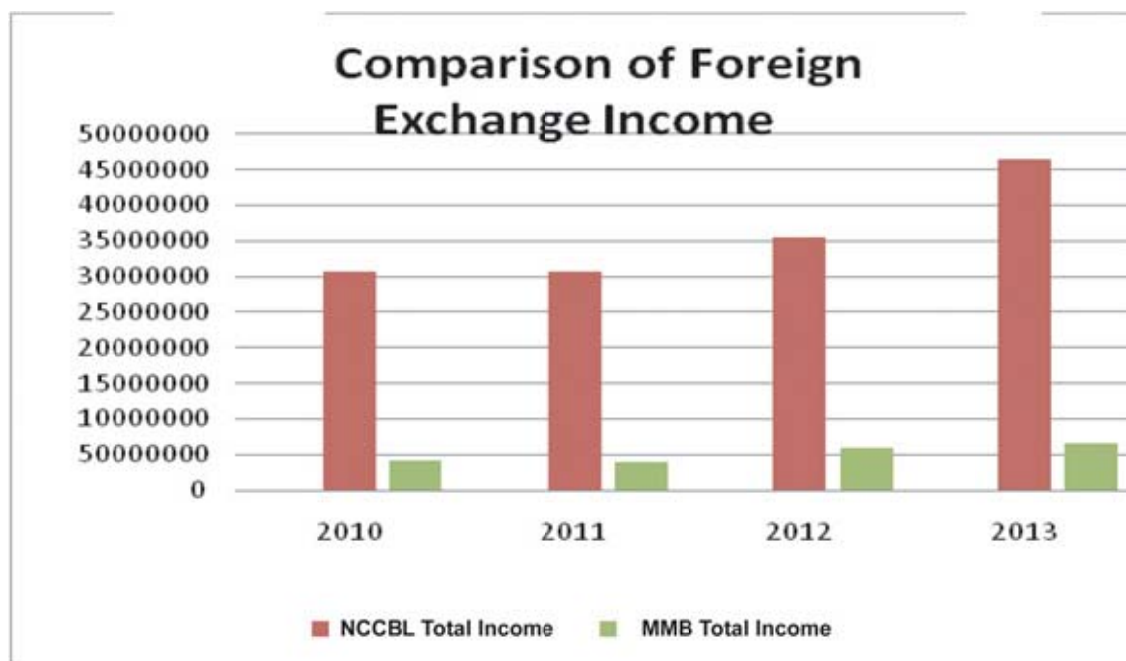
FINDINGS:

NCCBL foreign exchange income increased over the years. Total income from Foreign Exchange was Tk. 307,901,831 in 2010 (Table 1), whereas it has increased to Tk. 465,133,566 in 2013.

4.2.2 CONTRIBUTION TO FOREIGN EXCHANGE INCOME BY MOTIJHEEL MAINBRANCH:

Table 2: Income from Foreign Exchange

Year	NCCBL Total Income	MMB Total Income	% Contribution By MMB
2010	307901831.00	41465368	13.47%
2011	306162733.00	39967567	13.05%
2012	355614342.00	59234674	16.66%
2013	465133566.00	66283391	14.25%



Source: Self Made

FINDINGS:

From the Table 2 it is found that total income of Foreign Exchange by Motijheel Main Branch was Tk. 41465368 in 2010 which is 13.46% of the total Foreign exchange income By NCCBL and it reached its peak to Tk. 66283391 in 2013 which is 14.25% of the overall income by NCCBL. So the foreign exchange income performance of Motijheel Main branch is gradually improving over the years.

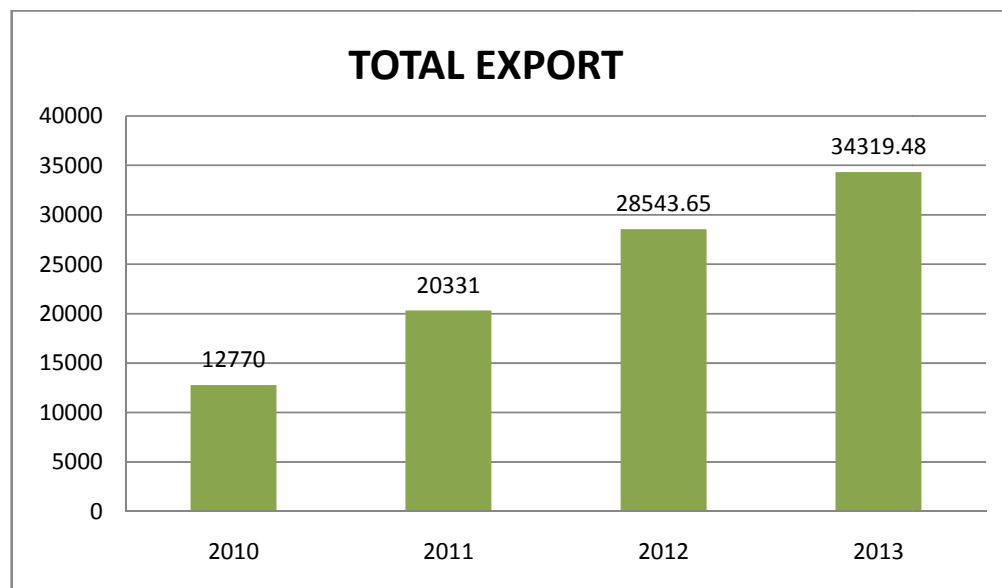
4.3 EXPORT:

4.3.1 EXPORT PERFORMANCE BY NCCBL

Table 3: Total Export

Year	2010	2011	2012	2013
Export(million)	12770	20331	28543.65	34319.48

Source: NCCBL Annual Report 2013



Source: Self Made

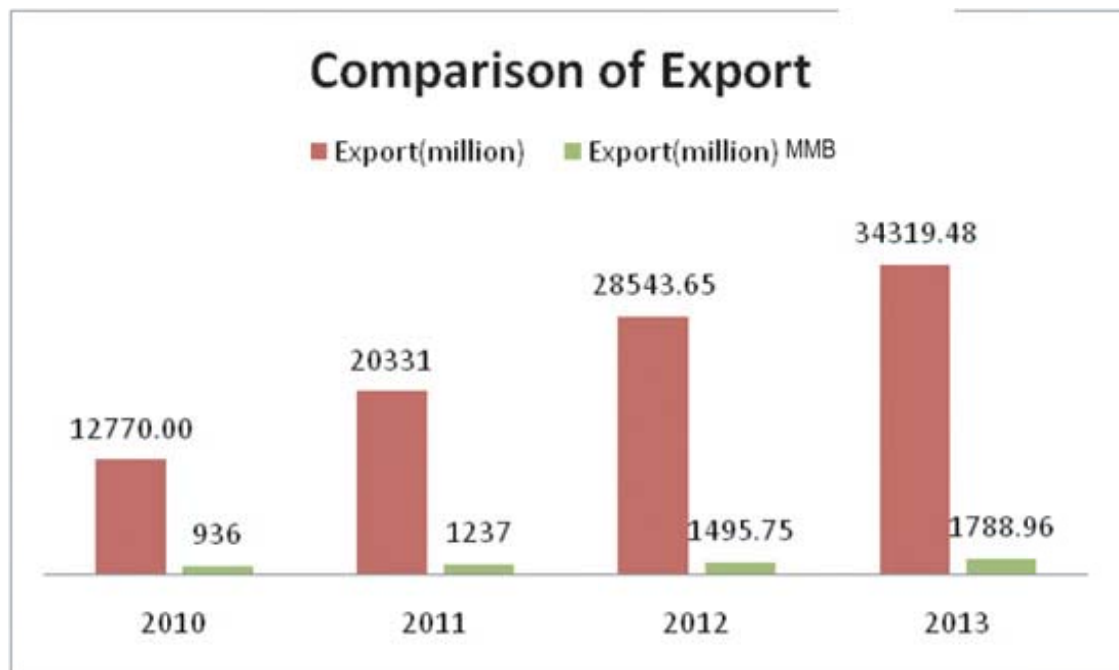
FINDINGS:

Export volume of the bank reached Tk. 34319.48 million (Table 3) which is 20% higher than that of FY 2012. Major export items involved with the bank's foreign trade activities were readymade garments and non-traditional items.

4.3.2 CONTRIBUTION TO EXPORT BY MOTIJHEEL MAIN BRANCH:

Table 4: Income from Export

Year	Export(million)	Export(million) MMB	% Contribution By MMB
2010	12770	936	7.33%
2011	20331	1237	6.08%
2012	28543.65	1495.75	5.24%
2013	34319.48	1788.96	5.21%



Source: Self Made

FINDINGS:

Total Export income of by MMB was Tk. 936 million in 2010 (Table 4) which was 7.33% of total NCCBL export. And in FY 2013 export income increased to Tk. 1788.96 million but it was only 5.21% of total NCCBL export income. It is found that although the overall NCCBL export was increasing gradually but MMB's export performance is lacking behind from the overall NCCBL export income.

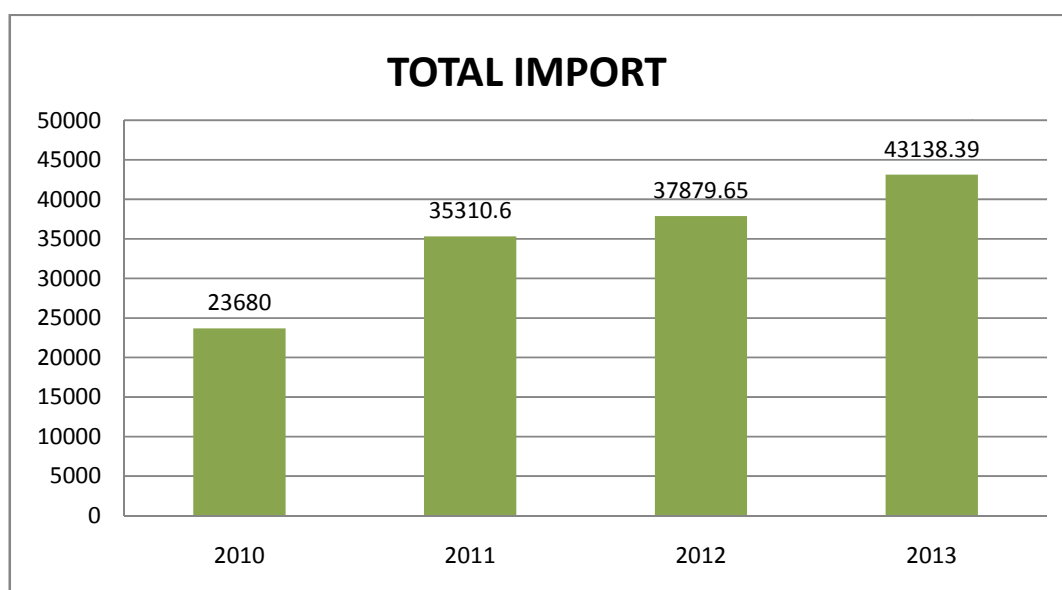
4.4 IMPORT:

4.4.1 IMPORT PERFORMANCE OF NCCBL

Table 5: Total Import

Year	2010	2011	2012	2013
Import(million)	23680	35310.60	37879.65	43138.39

Source: NCCBL Annual Report 2013



Source: Self Made

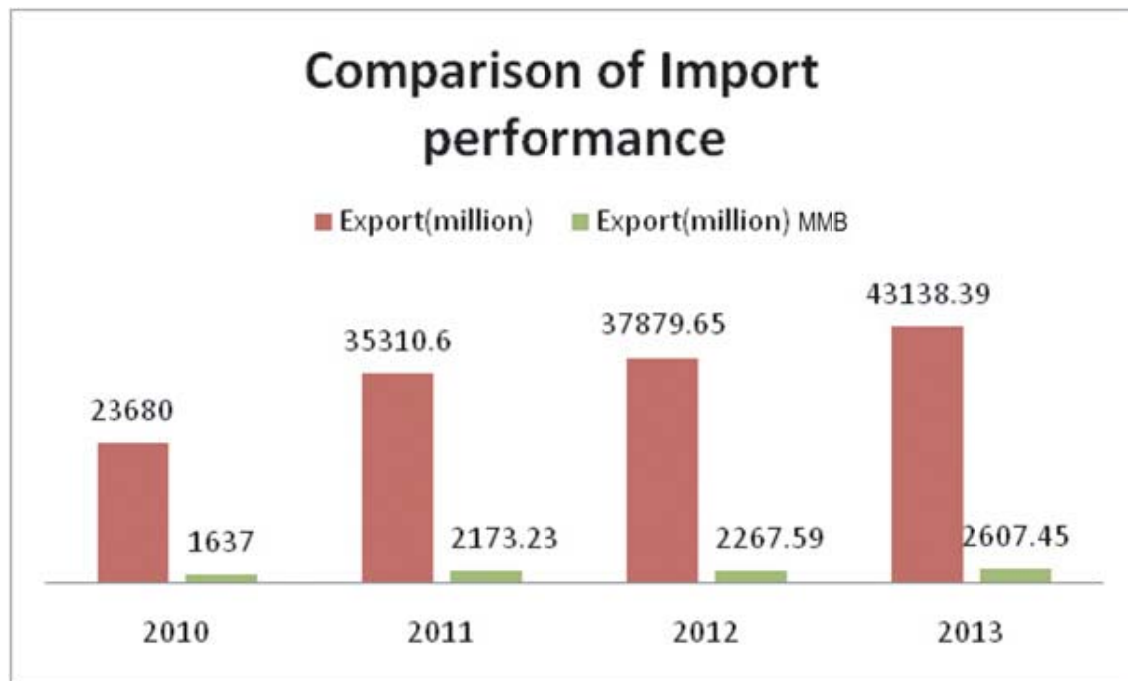
FINDINGS:

In FY2013 Import business of the bank has stood Tk 43138.39 million (Table 5) which is 13.8% higher than that of FY 2012. Import remained confined mainly to consumer goods, food grains, industrial raw materials, fabrics and accessories of garments industries etc.

4.4.2 CONTRIBUTION IMPORT BY MOTIJHEEL MAIN BRANCH:

Table 6: Income from Import

Year	Import(million)	Import(million) MMB	% Contribution By MMB
2010	23680	1637	6.91%
2011	35310.6	2173.23	6.15%
2012	37879.65	2267.59	5.99%
2013	43138.39	2607.45	6.04%



Source: Self Made

FINDINGS:

Total import income of by MMB was TK1637 million in FY 2010 which was 6.91% of total NCCBL import. MMB reached its peaks in import on FY 2013 to Tk. 2607.45 million (Table: 6) but the percentage is 6.04% in compare to total NCCBL import income. Although the overall NCCBL performance in import income was gradually improved but MMB's import performance is not increasing in compare to total NCCBL import income.

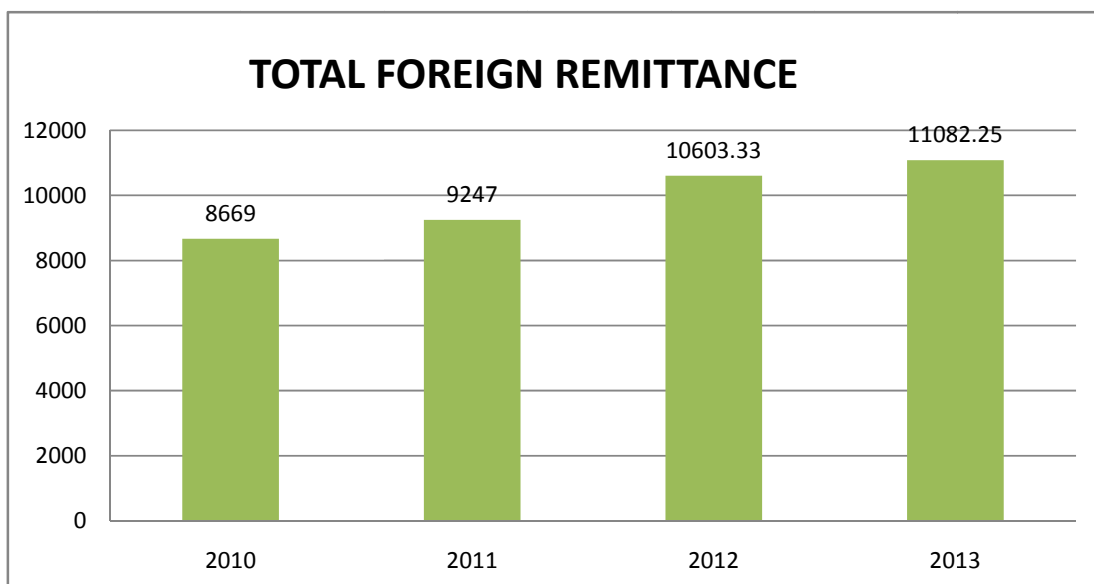
4.5 FOREIGN REMITTANCE:

4.5.1 FOREIGN REMITTANCE PERFORMANCE OF NCCBL

Table 7: Foreign Remittance

Year	2010	2011	2012	2013
Foreign Remittance	8669	9247	10603.33	11082.25

Source: NCCBL Annual Report 2013



Source: Self Made

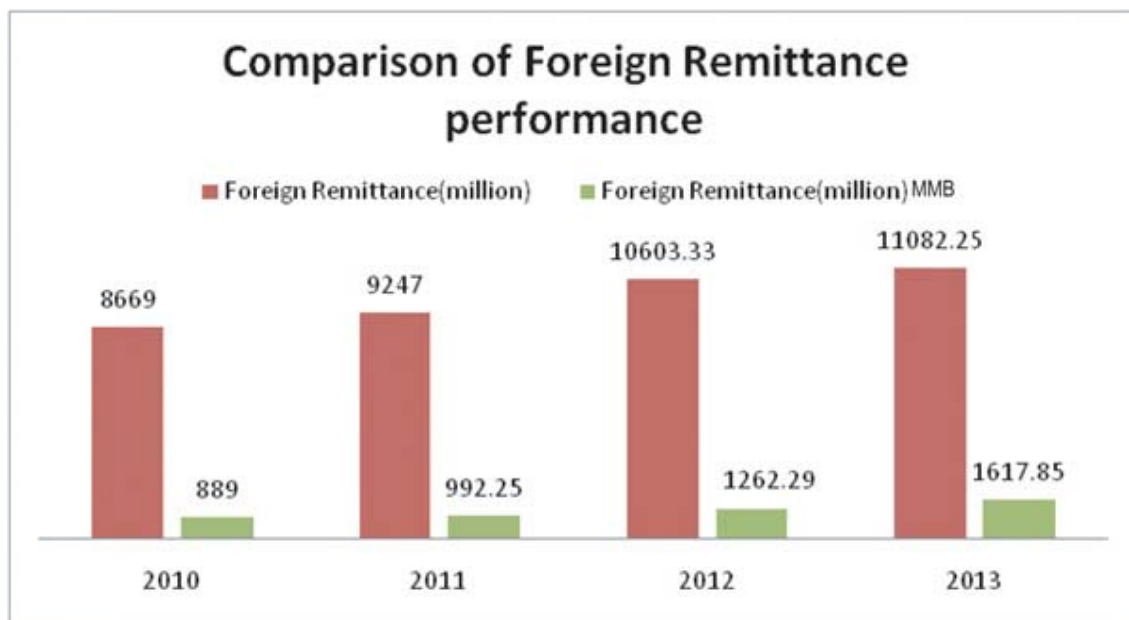
FINDINGS:

During the year 2013, the inflow of inward foreign remittance was TK.11082.25 Million (Table 7) whereas in the previous year 2012 the amount was TK. 10603.33 Million which is TK.478.92 Million higher than the previous year registering 4.5% growth.

4.5.2 CONTRIBUTION FOREIGN REMITTANCE BY MOTIJHEEL MAIN BRANCH:

Table 8: Income from Foreign Remittance

Year	Foreign Remittance(million)	Foreign Remittance(million) MMB	% Contribution By MMB
2010	8669	889	10.25493136
2011	9247	992.25	10.73050719
2012	10603.33	1262.29	11.90465637
2013	11082.25	1617.85	14.59856979



Analysis:

From the Table 8 it is found that total income of Foreign Remittance by Motijheel Main Branch was Tk.889 million in 2010 which is 10.25% of the total Foreign Remittance income By NCCBL and it reached its peak to Tk. 1617.85 million in 2013 which is 14.59% of the overall income by NCCBL. So the foreign remittance income performance of Motijheel Main branch is gradually improving over the years.

CHAPTER 5

PROBLEMS AND RECOMMENDATIONS



5.1 PROBLEMS:

During the short Internship period in NCCBL, it is not easy to find the related problems of foreign exchange operations. Through proper observation some shortcomings regarding operational and other aspects of NCCBL banking systems are found. On the basis of the observations following recommendations can be presented:

1. In case of Export L/Cs, sometimes customers insist to give their payments though their documents are found discrepant. In some cases, Bank has to give payment to these customers for different reasons.
2. In the performance analysis of the bank, the amount of export income of Motijheel Main Branches became comparatively less than total NCCBL export income.
3. The Bank sometimes face dollar fluctuation problem.
4. Sometimes the bank charges the higher percentage of commission to their clients when they opening the L/C. For that reason the clients are dissatisfied towards the bank and it will put a negative impact on bank's future success
5. Sometimes I found that a new customer that comes first time to open L/C, they found it difficult to do so.
6. MIS system of the Bank is backdated. While the other banks are using updated software like Ultimus, NCC Bank still using Flora Bank which is so backdated now a days. This software is does not go with the current trend of foreign exchange business.
7. In Motijheel Main branch, there is no separate IT division so that if there is any problem in computer system they have to send it to head office IT division.
8. Bank requires maintaining hand written register book for the export import operation & LC maintenance which is very complex & time consuming & also so backdated. There is no computerized system for this purpose.
9. Payment making & receiving process of foreign exchange operation is courier based which is not so authentic. Lots of risk is involved in this process.
10. In case of L/C opening, Bank provides NIL margin facility to only some big client, but they should also provide this facility to some small but efficient client.
11. Although the officials of foreign exchange department of MMB are good but they have some lacking in case of customer dealing and account maintaining.

5.2 RECOMMENDATIONS:

With little experience it is not so easy to recommend some suggestion to enhance the performance level of the organization. On the basis of my observation I would like to present the following recommendations:

1. The Bank should be as stricter as possible about giving payments against discrepant documents without hurting the customers.
2. The MMB should give more concentration to their export otherwise it will lose its possibility.
3. The Bank should think about to introduce financial derivatives like OPTION to eliminate the dollar fluctuation problem. It means pre contract on document which help to reduce the risk of dollar fluctuation.
4. Bank should follow acceptable commission rate to satisfy the clients to retain them in to the business.
5. New customer should be given some advantage and should provide the necessary information in details to open L/C. If they treated well, they may gradually become prime customer for NCCBL.
6. The Bank should introduce more advanced MIS system to mobilize its day-to-day activities.
7. If MMB open separate IT division in branches, it will be able to minimize the time of hamper.
8. Register of the export import operation should be computerized.
9. Bank should find an authentic way in payment making & receiving process. Reliance on courier should be reduced.
10. Bank should carefully treat those clients by giving the same facility so that they can survive and work is done accordingly.
11. The bank should try to arrange more training programs for their officials. Quality training will help the officials to enrich them with more recent knowledge of International Trade Financing.

Finally, the bank should strictly maintain their internal audit and follow the guidelines of Bangladesh Bank. In Bangladesh, the most popular way of doing foreign exchange business is international trade that means direct export and import. This improvement is reflected in the current positive growth of Bangladesh in the foreign exchange business. Banks have a

key role to develop the foreign exchange business in our country. Commercial banks provide foreign exchange services to their customers. Though foreign exchange business is challenging, it offers an excellent opportunity to accelerate the growth of the bank's own business. National Credit and Commercial Bank Ltd. is one of the major players in the foreign exchange business. It has been enjoying an escalating growth in foreign exchange business. Income from the foreign exchange business has a large contribution to NCCBL's overall profit.

5.2 CONCLUSIONS

Banks and financial institutions play an important role in the process of economic growth of a country. Given their considerable economic potential, these institutions have a far-reaching impact on the development and welfare process of the surrounding societies. These financial institutions depend, in accumulating their financial resources, basically on the inflow of deposits. In order to survive and achieve success, these banks endeavor to attract clients in search of loans to finance their different activities according to the banks established terms and conditions. These banks, which are called commercial banks, depend in their transactions on the interest rate, as the driving factor, which stimulates all their dealings.

The financial performance evaluation demonstrates that the profitability of the bank has a positive trend. Profitability is an indicator of a bank's capacity to carry risk and / or to increase its capital. The income statement, a key source of information on a bank's profitability, as well as the analysis reveals that NCC Bank Ltd. has – attained significant amount of profitability over the years. With a limited number of branch network it has recorded positive growth in net profit because of proper management and right selection of investment criteria. The bank has strong core deposit signifying sound liquidity position and maintaining an ideal scenario in advance-deposit ratio. Overall financial picture of NCC Bank Ltd. for the five-year period shows that it has positively set its root in the financial arena of Bangladesh. The figures do not tell the story of failure. The trend is in favor of NCC Bank Ltd. and the management should take initiative to keep the bank's way to the success.

Nearly boundary is seen while inspecting the Foreign Exchange Department of NCC Bank success. It indicates the bank successfully finished last year with an appreciable performance .For a greater achievement and attains more priority among the customers and clients



NCCBL can walk through the way under some precision direction. It is clear that the NCC Bank Limited Foreign Exchange department has ensured both quality and services which helps to improve the overall status of the Bank. For this reason NCC Bank Limited has able to achieve good position among banks in export and import sector in 2013.

APPENDIX

Foreign Remittance Department:

In L/C operation different accounts are maintained which are needed for foreign exchange transaction. These are:

a) **NOSTRO A/C:**

Nostro account means “our account with you”. A Nostro account is a foreign currency account of a bank maintained with foreign correspondents abroad. For example, US Dollar Account of NCCBL maintained with Citibank, N.A, NEW YORK, USA is a Nostro account of NCCBL.

b) **VOSTRO A/C:**

Vostro account means “your account with us”. The account maintained with correspondent in a bank of a particular country is known as Vostro account. This means different banks outside Bangladesh maintain their account in TBL for reimbursement in foreign exchange businesses.

c) **LORO A/C:**

It means “their account with you”. Account by third party maintaining is known as loro account; suppose NCCBL is maintaining an account with Citibank N.A, New York and at the same time Janata Bank is also maintaining a Nostro account with City Bank N.A, New York. From the point of view of NCCBL Janata Bank’s Account maintaining with City Bank N.A, New York is the loro account.

APPENDIX:ACRONYMS

ATM	: Automated Teller Machine
BB	: Bangladesh Bank
BL	: Bill of Lading
C&F	: Clearing and Forwarding
CFR	: Cost & Freight
CIB	: Credit Information Bureau
CIF	: Cost Insurance & Freight
DD	: Demand Draft
EPB	: Export Promotion Bureau
EPZ	: Export Processing Zone
FC	: Foreign Currency
FDD	: Foreign Demand Draft
FDR	: Fixed Deposit Receipt
FOB	: Free on Board
IBP	: Inland Bill Purchase
IMP	: Import Form
IPO	: Initial Public Offering
IRR	: Internal Rate of Return
L/C	: Letter of Credit
LIM	: Loan against Imported Merchandise
OD	: Overdraft
PAD	: Payment against Document
PO	: Payment Order



SOD	: Secured Over Draft
STD	: Short Term Deposit
SWIFT	: Society for Worldwide Interbank Financial Telecommunication
NCCBL	: NCC Bank Ltd.
TC	: Traveler Cheque
TIN	: Tax Payers Identification Number

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