

Foreign Exchange Procedure of
Shahjalal Islami Bank Ltd. (SJIBL)
A Study at Uttara Branch

Internship Report
on
Foreign Exchange Procedure of
Shahjalal Islami Bank Ltd. (SJIBL)
(A Study at Uttara Branch)

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MBA Program

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Date of Submission: September, 2018

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Letter of Transmittal

Date: September 3, 2018

To

Prof. Dr. Md. Abul Hossain

Department of Business Administration

Daffodil International University

Subject: Submission of Internship Report on Foreign Exchange Procedure of Shahjalal Islami Bank Ltd.

Dear Sir,

It is my great pleasure to submit the internship report titled 'Foreign Exchange Procedure of Shahjalal Islami Bank Ltd. – A Study at Uttara Branch' that has been prepared as an integral part of my degree requirement. I would like to declare that this report was prepared by me and the work was supervised by of our honorable teacher Prof. Dr. Abul Hossain.

This report has given me a wonderful opportunity to enrich my knowledge and experience. I have tried to give my best in fulfilling the objective of this report.

I have included all the relevant information in this report so that the report is as comprehensive as possible. I hope this report will meet your expectation.

Yours sincerely,

(Mukshitu Mobin Jishan)

ID: 153-14-638

Program: MBA

Major: Finance

Certificate of Approval

This is to certify that Mukshitu Mobin Jishan, ID: 153-14-638, student of Master of Business Administration (MBA) under Department of Business Administration, Daffodil International University, has successfully completed his assigned internship report on 'Foreign Exchange Procedures of Shahjalal Islami Bank Ltd. – A Study at Uttara Branch'.

The MBA Internship Report, he has submitted on the topic, is up to the mark in the terms of the quality and the organization.

I wish him every success in life.

Supervisor


18/05/18

(Prof. Dr. Md. Abul Hossain)

Coordinator (MBA)

Department of Business Administration

Daffodil International University

Preface

The present report is the outcome of the Internship Program of Daffodil International University. The objective of the internship program was to familiarize the student with the implementation of the knowledge she/he gained on the campus. The practical knowledge is far different from the bookish knowledge. The internship program gives the students a glimpse of the practical world.

I have done my internship program from Shahjalal Islami Bank Ltd., Uttara Branch. The major problem that I faced during my internship was that there were not sufficient published documents available on the bank from where I could get any information about the bank. Due to the limitation of time, it was not possible to include all the aspects of the Shahjalal Islami Bank Ltd. The report focuses on foreign exchange department. It also summarizes the other functions of the bank.

I've tried my best to include the accurate information using secondary sources. For any questions regarding the report, I would be glad to answer them.

(Mukshitu Mobin Jishan)

ID: 153-14-638

MBA Program

Abstract

Banks play a vital role in the economic development of a country. One of the major functions of commercial banks is to take deposit and give away this money as loans for investment purposes. These investments contribute positively to the GDP of the country. Apart from contributing to investment opportunities, banks also play an important part in the import of goods. This brings foreign currency to the country.

This report is prepared on the basis of my three months practical experience at Shahjalal Islami Bank Limited. The internship program helped me to learn about the practical condition of a financial institution. This program helped me to implement my theoretical knowledge into practical and realistic work environment.

Shahjalal Islami Bank Limited is a scheduled Islamic commercial bank registered by the Bangladesh Bank. Shahjalal Islami Bank follows the rules and regulations prescribed by the Bangladesh Bank for Scheduled commercial banks. The functions of the bank cover a wide range of banking and functional activities to individuals, firms, corporate bodies and other multinational agencies. In this report I've discussed about the various activities of the bank. I've covered the foreign exchange procedure of this bank in detail.

The foreign exchange department mainly consists of three sections: import, export and remittance. There are lots of steps involved in each of these foreign exchange functions. There are different terms that must be understood in order to know the entire process of import and export. All these have been covered thoroughly in this report.

I've done the SWOT analysis of the bank found out the opportunities it has in future and the limitations that are hindering its growth. The findings of the research have been discussed. I've given my recommendations as well on how to improve the foreign exchange functions of the bank.

This report will help those who want to understand how the foreign exchange department of a bank works. As lots of research has been done for writing the report, it will be an asset for the bank and act as a point of reference to help them improve their services in future.

Acronyms

SJIBL	Shahjalal Islami Bank Ltd.
L/C	Letter of Credit
BB	Bangladesh Bank
MBA	Master of Business Administration
IRC	Import Registration Certificate
GDP	Gross Domestic Product
DD	Demand Draft
TT	Telegraphic Transfer
MT	Mail Transfer

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Chapter 1

Introduction

1.1 Introduction of the report

This report focuses on the **foreign exchange activities** of Shahjalal Islami Bank Ltd, Uttara Branch. Commercial Banks have an important role in the foreign trade of a country. They provide the finance needed to execute the transactions. They are the medium through which the documents and money are exchanged between the exporter and importer. For the banks foreign exchange dealing is a specialized activity with good potential for profits. Shahjala Islami Bank Ltd., as realized this potential and emphasizes on the foreign exchange activities of the bank. In my report I will be discussing those activities.

The commercial operation of Shahjalal Islami Bank Limited (SJIBL) started in May, 2001 according to the Bank Companies Act, 1991. Over the years, SJIBL has opened new branches in various parts of the country and has diversified its services to meet the customers' needs. SJIBL carries out islamic banking, which is 'interest-free'. It also generates income through various investment opportunities, thereby, boosting the country's GDP.

1.2 Background of the Study

Banking brings socio-economic changes in a country. It is a very important medium for the economic development of a country. Without proper banking facility, the agricultural, commercial and industrial sector of a country cannot improve. The banking system is an integral part of the economy of a country. Banks now have diverse functions to beat the competition and meet demand of customers.

The customers come from all walks of life, from a small business to a multinational corporation having its business activities all around the world. The banks have to satisfy the requirements of the different customers belonging to different social groups.

1.3 Origin of the Report

This report is prepared as per the requirement of my Master of Business Administration (MBA)

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program of the Daffodil International University, Dhaka. I have done internship program for three month from 17th September-17th December 2018 in Shahjalal Islami Bank Ltd., Uttara

Branch, Dhaka. In these three months I have learned about the various banking activities. This report is a brief overview of those daily activities I have done during the internship period and focusing on the foreign exchange department of the bank.

1.4 Objectives of the report

The main objective of this report is this report is to fulfill the requirement of MBA program. For this reason I had to do this three months long internship with Shahjalal Islami Bank Ltd., Uttara Branch. The main objective of this report is to write about the practical experience I had by working in the bank for three months and relating it to my academic knowledge that I've gained over the two years of my MBA course.

The objective of the study may be viewed as:-

- General objective
- Specific objective.

General objective

The general objective of the study is to prepare and submit a report on the topic of foreign Exchange Activities of Shahjalal Islami Bank Limited, Uttara Branch.

Specific objective

- To know about the mechanism of Foreign exchange of Shahjalal Islami Bank Ltd.
- To learn about the foreign remittance service of Shahjalal Islami Bank Ltd.
- To know about foreign exchange performance of SJIBL, Uttara Branch.
- To find out some problems of foreign exchange of Shahjalal Islami Bank and to give some suggestion for overcome these problems.

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1.5 Methodology of the study

Lots of information was needed to prepare this report. I have used both primary and secondary sources of data for this report.

1.6 Sources of data

Data has been used from various sources in order to prepare this report. The sources of data are mentioned below.

Primary sources

- Personal observation
- Discussion with the employees
- Practical experience from working in different departments
- Discussion with the clients

Secondary sources

- Published Documents
- Company website
- Annual report

1.7 Scope of the Study

This report gives emphasis on the performance of “Foreign Exchange” service of Shahjalal Islami Bank Ltd. This report has helped me to gain an insight about satisfaction level of the importers, exporters and non residents about the foreign exchange activities of the bank.

1.8 Limitation of the Study

Though it is now possible to find any information with just a ‘click’, but I found it difficult to gather information about Shahjalal Islami Bank Ltd. The information provided on the official website of the bank was very limited. Some information that I had found from their files were not up-to-date. The employees were sometimes reluctant to share their internal banking information with me.

1.9 Rationale of the study

The internship program is a mandatory part of the MBA program, because the internship program bridges the gap between the academic curriculums and practical works of an organization. The internship program has been designed to gather practical experiences by attaching oneself with the day to day activities of an organization.

Chapter 2

Company Overview

2.1 Overview of Shahjalal Islami Bank Limited

Since its commencement in 2001, Shahjalal Islami Bank Limited (SJIBL) has been offering different products to boost the economy of the country and serving the customers. The interest-free banking scheme has helped many Muslims to secure their money in the bank. The management team of the bank is very strong. There are currently 109 branches all over the country.

2.2 Corporate Information

The detailed corporate information of Shahjalal Islami Bank Limited is mentioned below.

Table 1: Corporate Information of SJIBL

Name of the Company	Shahjalal Islami 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	Shahjalal Islami Bank Tower Plot No: 4, CWN(C) Gulshan Avenue, Dhaka-1212.
Telephone No.	88-02-9845457
Fax No.	88-02-9847607
Website	www.sjibld.com
SWIFT	SJBL BD DH
E-mail	sjibldho@sjibld.com
Chairman	Mr. Akkas Uddin Mollah
Managing Director	Farman R. Chowdhury
Auditors	M/s. Hoda Vasi Chowdhury & Co, Chartered Accountants BTMC Bhaban (7th & 8th floor) 7-9 Kawran Bazar Commercial Area, Dhaka-1215 Phone: +88-02-9120090

Tax Advisor	M/S K.M Hasan & Co. Chartered Accountants 87, New Eskaton Road Dhaka. Phone: 88-02-9351457, 9351564
Legal Advisor	Hasan & Associates Chamber of Commerce Building (6th floor), 65-66 Motijheel C/A, Dhaka
No. of Branches	113
No. of ATM Booth	73
No. of SME Centers	At present Bank has no SME center
Off-Shore banking Unit	01
No. of Employees	2,156
Stock Summary:	
Authorized Capital	Tk. 10,000 million
Paid up Capital	Tk. 7,714 million
Face Value per Share	Tk. 10

2.3 Vision of SJIBL

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

2.4 Mission of SJIBL

- To provide quality services to customers.
- To set high standards of integrity.
- To make quality investment.
- To ensure sustainable growth in business

2.5 Strategy of SJIBL



Fig 1: Strategies of SJIBL

2.6 Management and Organization structure

The share holders as investors are in the position of proprietors, but the actual direction of Shahjalal Islami Bank Ltd is in the hand of their elected representative.

The managing director (MD) of the SJIBL is the Chief Executive of the bank. His duty is numerous. He is responsible for administrating the business affairs of the bank. He is also concerned with planning and its implementation. The managing director also represents the bank to the meeting and response to the various inquiry of the board of directors. The managing director maybe appointed on contractual basis for certain period or maybe promoted from among the deputy managing director for certain period. Under the leadership of the managing director,

there are three (03) managing Deputy Managing Director (DMDs) sixteen (16) divisions are found in SJIBL, each division is lead by either an executive Vice President (EVP) or Senior Vice President (SVP) or Vice President (VP) or Assistant Vice President (AVP).

2.7 Company Profile

SJIBL Financial Summary

For the nine months ended 30 September 2017, Shahjalal Islami Bank Limited interest income increased 13% to BDT9.35B. Net interest income after loan loss provision increased 5% to BDT2.51B. Net income applicable to common stockholders increased 20% to BDT1.09B. Net interest income after loan loss provision reflects increase in interest earning assets and decrease in interest bearing liabilities. Net income benefited from Commission.

Table 2: SJIBL Annual Income Statement

Period Ending	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Total Revenue	13376.91	12529.04	13539.3	15926.94
Net Income	1660	1318.54	748.2	1305.82

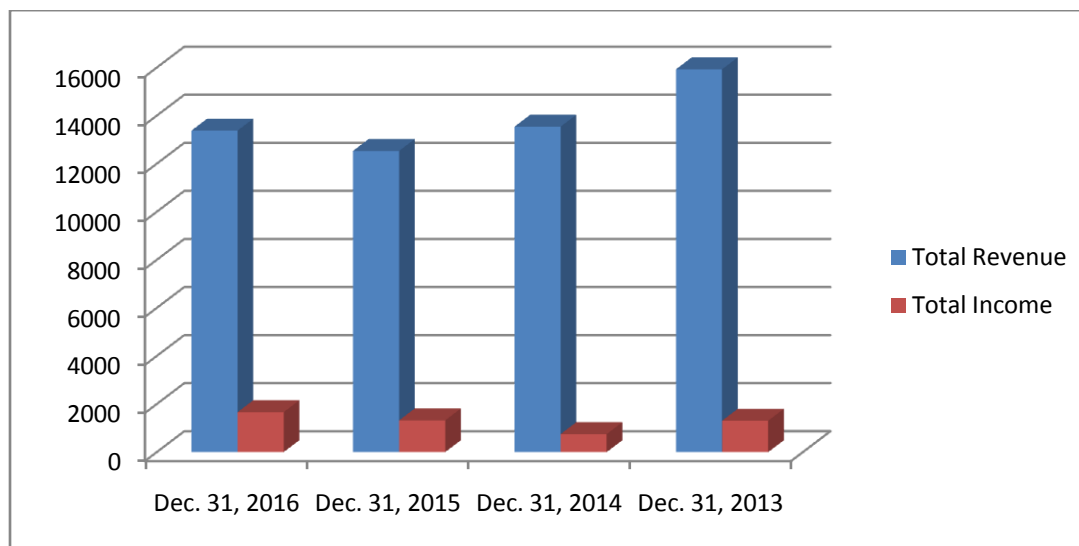


Fig. 2: Annual Income Statement Summary of SJIBL Over the Years

SJIBL Balance Sheet

Table 3: SJIBL Balance Sheet

Period Ending	Dec. 31, 2016	Dec. 31, 2015	Dec. 31, 2014	Dec. 31, 2013
Total Assets	170952.98	141262.02	129532.46	130973.24
Total Liabilities	157948.74	128962.69	117816.99	120005.97
Total Equity	13004.24	12299.33	11715.48	10967.27

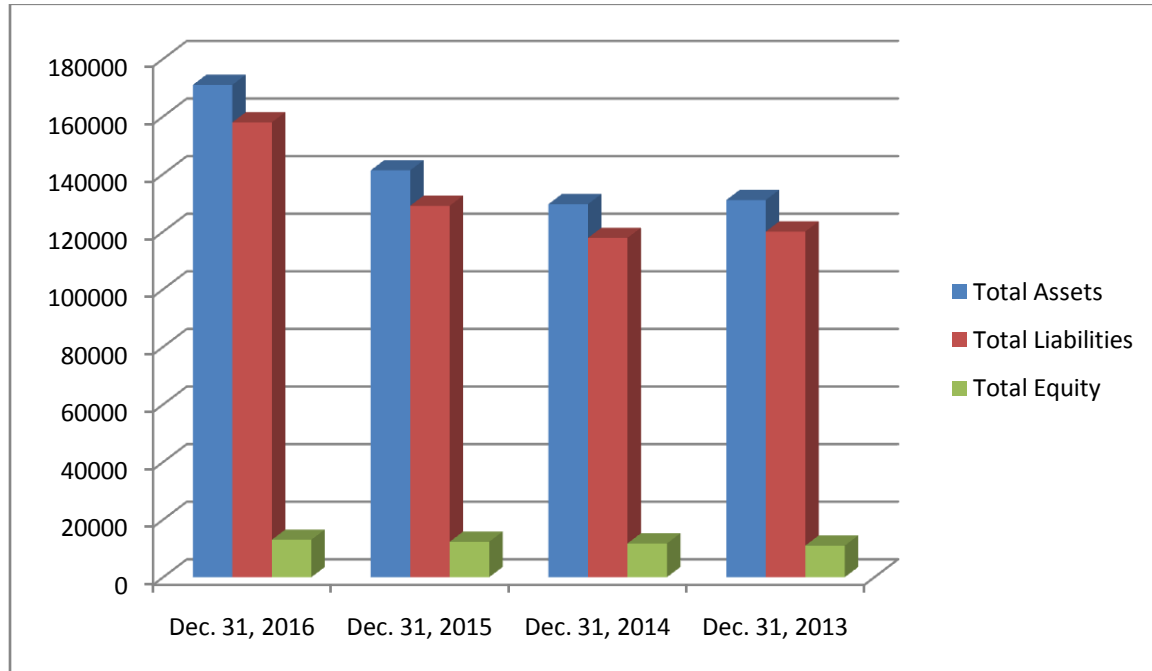


Fig. 3: Annual Balance Sheet of SJIBL over the Years

Chapter 3

Foreign Exchange Department

3.1 Introduction

The foreign trade and business of a country involves activities of buying and selling of or exchange of goods and services between two countries. International trade is beneficial to both the importer and exporter. International trade accounts for a significant portion of the national income of a country. That's why, the Foreign Exchange department is an important section of the bank. In Bangladesh, the bank that facilitates such transaction is reoffered to as authorized dealer certified by Bangladesh Bank. International trade demands a flow of both goods from seller to buyer payment from buyer to seller. This flow of goods and payments is done through credit instrument, for example, letter of credit, bills of exchange etc.

3.2 Functions of foreign exchange department of SJIBL

The foreign exchange department of SJIBL carries out some important functions. The functions of foreign exchange departments are follows:

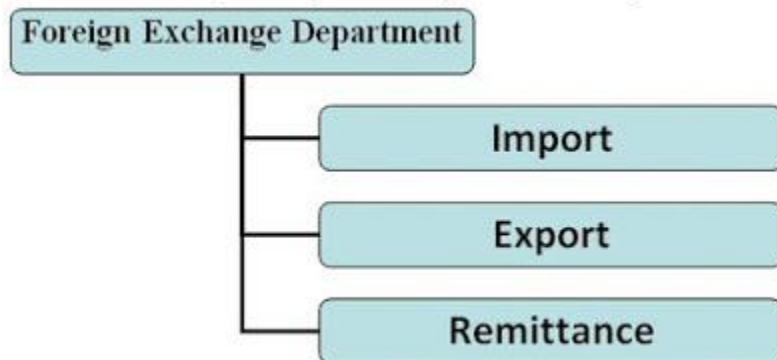


Fig 4: The sections of Foreign Exchange Department

3.2.1 Financing Exports

Banks meet the financial needs of the exporter from the beginning to the end. The bank provides credit to the exporter for buying raw materials. The bank also helps in processing the required documents and finally shipping the goods to the importer. The bank provides pre-shipment credits or packing credit as well. The bank carries out the following functions.

- Pre-shipment advances
- Purchases of foreign bills
- Negotiating of foreign bills
- Export guaranties
- Advising /confirming letter of credit
- Advances for deferred payment
- Advance against bill for collection

3.2.2 Financing Imports

The bank issues letter of credit on behalf of the importer. The letter of credit guarantees payment to the exporters on shipment. This makes the work easier for the importer. The bank may finance the importer in the form of loans, cash credit, etc.

The bank carries out the following functions:

- Opening of letter of credit
- Advance bills
- Bills for collection
- Import loan and guarantees

3.2.3 Remittance Facilities

An importer in Bangladesh has to pay an exporter living in another country. Similarly, an exporter in Bangladesh has to receive payment from another country. A Bangladeshi, working in another country, may remit funds to maintain his family living in Bangladesh. A person living in Bangladesh may order a dress from a shop in the US. All these transactions results in remittance of funds into Bangladesh or remittance of funds from Bangladesh. If a Bangladeshi is residing abroad, he or she can open a non-resident account.

The bank carries out the following activities:

- Insurance of DD, MT, TT etc.
- Payment of DD, MT, TT etc.

- Insurance & enhancement of travel's cheque
- Sale & enhancement of foreign currency notes
- Maintaining on non-resident account

3.2.4 Dealings in Foreign Exchange

To carry out foreign exchange function, banks must keep enough foreign exchange stock. The banks must quote rates for foreign exchange that will be purchased from and sold to the customers according to the rules of regulation of the Reserve Bank and the Foreign Exchange Dealers' Association of Bangladesh.

3.3 Types of Exchange rates

There are various types of exchange rates. These are discussed below.

Direct Quotation: Direct quotation is where the cost of one unit of foreign currency is given in units of local currency.

Indirect Quotation: Indirect quotation is where the cost of one unit of local currency is given in units of foreign currency.

Cross rate: A cross rate is the currency exchange rate between two currencies, both of which are not the official currencies of the country in which the exchange rate quote is given in.

Spot rate: It's the rate of exchange for immediate or "on the spot" trades. Spot trades must occur within two business days. The rate is set on the day the trade takes place.

Forward rate: If an exchange is planned now and expected to be carried out in the future, then the forward rate is used. This rate can protect against losses due to currency fluctuations. The price is locked when the trade is planned and so buyers know the cost of the trade beforehand.

3.4 Causes of Exchange rate fluctuation

There are many reasons why the exchange rate may fluctuate. Here we are going to discuss some of the major reasons.



Fig. 5: Factors affecting the exchange rates

Inflation Rates: The currency exchange rates changes due to changes in market inflation. If a country has a lower inflation rate, then there will be appreciation in the currency's value. If the inflation is low, the prices of goods and services will increase at a slow rate. If a country has low inflation rate consistently, then there will be an increase in the currency value of that country. However, if the country has a higher inflation rate, then the value of currency will decrease.

Interest Rates: Any change in the interest rate affects the value of currency and dollar exchange rate as well. If there is an increase in the interest rate, then the country's currency will appreciate and attract more foreign capital.

Country's Current Account: The balance of trade and earnings on foreign investment is reflected on the country's current account. If there is a deficit in the current account due to more spending on importing goods compared to what has been earned through sale of exports, results in depreciation.

Government Debt: It is the public debt that is owned by the central government. If a country has government debt then the country may not get foreign capital. This will lead to inflation. The foreign investors will sell their bonds and so the exchange rate will decrease.

Terms of Trade: It is the ratio of export prices to import prices. The terms of trade of a country improves if the export prices rise at a higher rate than the import prices. It will result in higher revenue and increased currency value.

Political Stability and Performance: The currency value of a country depends on its political state and economic performance as well. There will be more foreign investors if the country has less risk for political turmoil. There will be increase in the foreign capital and so it will lead to an appreciation of the domestic currency value.

Recession: During recession, the interest rates fall, so less foreign capital is acquired. The currency gets weak and so the exchange rate decreases.

Speculation: If it is predicted that the currency value of a country will increase, then the investors will try to get more of that currency to make profit in future. So, the currency's value will increase and so will the exchange rate.

The foreign exchange rate of a country depends on all these factors. You should always be up-to-date with these factors so that you can know the best time for international money transfer.

3.5 Opening Letter of Credit

Letter of credit is very important for international transactions. It guarantees that payment will be received. It reduces the risk of non-payment for the delivered goods. With letter of credit it is possible to business worldwide. Letter of credit is actually an undertaking by a bank to make payment to a named beneficiary within a time frame, against the presentation of relevant documents. The documents must be in compliance with the terms of the letter of credit. Therefore, letter of credit is actually a promise to pay. You should know the following things about letter of credit.

- The Buyer is the Applicant and the Seller is the Beneficiary.
- The Bank that issues the L/C known as the Issuing Bank. It is usually the bank in the country of the Buyer.
- The Bank that Advises the L/C to the Seller is called the Advising Bank. It is the bank in the country of the Seller. The advising bank acts only as an agent of the issuing bank having no engagement on their part.
- Exporter/ Seller/ Beneficiary of the L/C is the part in whose favor the letter of credit is issued.
- Confirming bank is the bank which adds its confirmation to the credit and it done at the request of issuing bank.
- Negotiating bank is the bank that negotiates documents and pays the amount to the beneficiary when, present complying credit terms treated as negotiating bank. Normally negotiating bank is the banker of the beneficiary.

- Reimbursing bank is the bank nominated in the credit by the issuing bank to make payment against stipulated documents, complying with the credit terms. Normally issuing bank maintains accounts with the reimbursing bank.

3.5.1 Letter of credit advantages for the seller

- The seller has the obligation to pay for the shipped goods;
- The risk of production is less, in case the buyer cancels or changes his order
- The opportunity to get financing in the period between the shipment of the goods and receipt of payment (especially, in case of deferred payment).
- The seller can know the payment date for the goods.
- The buyer will not be able to refuse to pay even if there is a complain about the goods

3.5.2 Letter of credit advantages for the buyer

- The bank will pay the seller for the goods upon presentation of the documents in terms of the letter of credit.
- The buyer can control the time period for shipping of the goods.
- A letter of credit demonstrates a buyer's solvency.
- A letter of credit lets the buyer avoid or lower pre-payment.

3.5.3 How does letter of credit work?

Commercial letters of credit are essential for your business if you import or export goods. When goods are shipped from one country to another, letters of credit guarantees that sellers get paid and buyers get the right goods.

Bank Provided Guarantee: A letter of credit is a guarantee from the issuing bank that the amount mentioned in the letter will be paid once certain conditions are fulfilled. A buyer who wants to import goods issues the letter from his bank. The seller of the goods verifies through his bank whether the letter of credit is valid or not before shipping the buyer's order. The seller then

takes the necessary documents to the bank. The seller's bank draws the money from the issuing bank, and the issuing bank collects the money from the buyer.

Facilitating Export/Import Trade: Letters of credit are the financial channels for importing or exporting goods. When a buyer agrees to buy a product from a foreign producer, the buyer shows his good faith and financial ability to complete the purchase by getting the letter of credit. When the seller verifies the letter of credit is valid, the order is processed and shipped. The bank that issues the letter of credit makes sure that both sides do their part so the goods are delivered correctly and the money is paid on time

As an Importer: If you want to import goods, you will have to issue a commercial letter of credit from a bank. The bank will then verify whether you are financially solvent or not to pay for the imported goods. The bank will establish the conditions that should be met so that the seller can collect the money. The bank then sends the letter of credit to the seller's bank. The exporter must present a correct commercial invoice and the bill of lading.

As an Exporter: When an exporter receives a letter of credit, it signals that the exporter can now ship the goods. You should provide the necessary documents to your bank. Once these documents are forwarded by your bank to the issuing bank, the money will be released.

3.5.4 Different types of L/C:

There are many types of L/Cs. The major ones are discussed below.

Irrevocable L/C: This L/C cannot be cancelled or modified without beneficiary's or seller's consent.

Revocable L/C: This type of L/C can be cancelled or modified by the Bank (issuer) at the request of the customer without prior agreement of the beneficiary (Seller). The Bank will not have any liabilities to the beneficiary after revocation of the L/C.

Stand-by L/C: This L/C is flexible. The Bank will honor the L/C when the Buyer fails to fulfill payment liabilities to Seller.

Confirmed L/C: In addition to the Bank guarantee of the L/C issuer, this L/C type is confirmed by the Seller's bank or any other bank.

Unconfirmed L/C: Only the Bank that issues the L/C will be liable for payment.

Transferable L/C: This L/C lets the Seller assign part of the letter of credit to other party(ies). This L/C is appropriate in cases when the Seller is not the only manufacturer of the goods and purchases some parts from other parties.

Back-to-Back L/C: This type of L/C issues a second L/C on the basis of the first letter of credit. L/C is opened in favor of intermediary as per the Buyer's instructions. According to the instructions of the intermediary a new L/C is opened in favor of Seller of the goods.

Payment at Sight L/C. According to this L/C, payment is made to the seller immediately (maximum 7 days) once the required documents have been submitted.

Deferred Payment L/C. According to this L/C the payment to the seller is not made when the documents are submitted, but instead at a later period defined in the letter of credit.

Red Clause L/C: The seller can request an advance for an agreed amount of the L/C before shipment of goods upon submitting the required documents.

Chapter 4

Import Section

4.1 Introduction

Bangladesh imports a large number of goods from foreign households. The Ministry of Commerce regulates the imports of goods into Bangladesh according to the Import and Export Act 1950. Anyone who has an Import Registration Certificate (IRC) can do import business.

4.2 Import procedure through SJIBL

To Import through SJIBL, a client has to obtain import registration Certificate (IRC). It requires the following certificate:

- Al-Wadia Current account
- IRC (Valid)
- Indent / pro-forma invoice
- Membership certificate of chamber of commerce
- TIN and VAT Registration certificate
- Other papers as required

4.3 Workings in import department

This department performs the following functions:

- Total supervision of import department
- Any foreign correspondence related to import
- Payment of Back to Back L/C and endorsement of Export L/C against payment.
- Maintenance record of related L/C documents.
- Audit compliance.
- Lodgments and retirement of Import documents under Back to Back L/C.
- Issuance of shipping guarantee

- Negotiating Bank about maturity date of Back to Back L/C.
- Credit report.
- Preparation of monthly foreign exchange business,
- Differed payment (cash)
- Checking of cash L/C documents.
- L/C retirement.

4.4 Import mechanism

According to Import and export control act 1950, a person should be competent Importer to exporter. The chief controller of Import & export office provides the registration certificate (IRC) to the Importer. After the Importer has to secure a credit authorization (L/CA) from Bangladesh Bank and the importer will be a qualified importer. After that the importer is the person who request or instruct s Shahjalal Islami Bank Ltd. the opening bank is to open L/C. Therefore the importer is also called opener or applicant of the credit.

4.4.1 Importer application for L/C limit

An importer submits an application to departments of foreign exchange Shahjalal Islami Bank Ltd. The application includes:

1. Full particulars of bank account.
2. Nature of business.
3. Required terms and conditions.
4. Goods to be imported.
5. Offered security.
6. Repayment schedule.

A credit officer scrutinizes this application and accordingly prepares a proposal- called credit limit proposal (CLP) and forward it to be the Head office credit committee (HOCC). If the committee satisfied, the limit proposal sanctioned and returns back to the branch. Thus the importer is entitled for the limit.

4.4.2 Procedure of opening L/C to import

To open an L/C, the following are necessary:

1. The importer must have an account in SJIBL.
2. He must have Importer Registration Certificate (IRC).
3. Report on past bank performance received from Bangladesh Bank.
4. CIB (Credit Information Bureau) report from Bangladesh bank.
6. For a large L/C amount (usually more than 1 crore), approval from Bangladesh Bank is required.

4.4.3 Advising of letter of credit

Advising through a bank is a proof of credit to the seller. In this case, the original credit must be forwarded to the beneficiary. It must be ensured that the signatures on the L/C match with the specimen signature book of the bank. The L/C should be examined thoroughly to make sure that it complies with all the requirements.

4.4.4 Advising bank liability

Credit may be given to a beneficiary through another bank without the engagement of the advising bank. In such case, the issuing bank must be informed. But if the advising bank is involved, it bank will be responsible for checking the authenticity of the credit.

4.4.5 The confirming bank

If the advising bank also adds its own undertaking to honor the credit while advising the same to the beneficiary, it becomes the confirming bank. Now the bank becomes liable to pay for the documents it conformity with the terms of L/C.

The beneficiary verifies the letter of credit:

1. The letter of credit terms are the conformity with terms of the original contract of the sell.
2. That no derogatory terms added to the letter of credit.
3. That he is in a position to ship consignment within the shipment date stipulated in the letter of credit.
4. That letter of credit ensures him payment upon tending of the export document.
5. The beneficiary sees any charge to contract of sale or if he feels any amendment, he informed the advising bank thereof.

4.4.6 L/C Amendment

After opening of L/C, the importer may feel necessary to delete, add or alter some of the clauses of the credit.

The charges are communicated through the advising bank to the beneficiary. If there is any change to the credit, it will be mentioned as amendment to the letter of credit. A revocable credit can be cancelled or amended by the issuing bank without prior notice to the beneficiary. Irrevocable letter of credit, on the other hand, cannot be amended or cancelled without the consent of the issuing bank, confirming bank and the beneficiary.

4.4.7 Consignment

After the power amendment of L/C, the supplier will be willing to immediately start packing and will ship the goods when ready and obtained full set of bills of leading etc. From the carrier

company and submit the same to the negotiating bank along with other documents that are called for in the credit. The shipping documents usually obtained are:

1. Bills of lading
2. Consignment notes
3. Truck receipt
4. Bill of exchange
5. Commercial invoice
6. Certificate of origin
7. Packing list
8. Weight certificate

A copy of declaration of shipment made to the insurance company and pre-shipment inspection certificate from international reported surveyor.

4.4.8 Scrutiny of document by negotiating bank

Negotiating bank scrutinizes the documents carefully with letter of credit terms in the following forms. The credit is a force and the last date of shipment and negotiation has been expired. Document presented are precisely called for. The invoice corresponds with the dealers of all other documents submitted under the bill. Insurance policy is properly stamped and made out and endorsed in conformity with the condition. A complete set of bills of lading is ensured. Reimbursement clauses are clear and do not violate Exchange control regulation, if any.

4.4.9 Settlement of L/C

The issuing bank also checks the documents and if the documents are found as per credit requirement, it will also give payment under three separate arrangements. Although three

arrangements are discussed here separately for proper understanding, it is noteworthy to say that the applicant, on the very beginning of L/C application, mentions the mode settlement. Settlement by payment: Settlement by payment happened when the letter of credit contains the terms against payments as the mode of payment. Under DP arrangement, the beneficiary presents the documents to the negotiating bank. If satisfied, the negotiating bank makes payment to the beneficiary and then sends the documents to the issuing bank and claim reimbursement.

Settlement by acceptance: Payments, from importer to seller, must be settled through acceptance mechanism if the letter of credit L/C contains the term “Documents against acceptance “. It means that payments will occur at some fixed future date after submission of documents and drafts. At maturity, reimbursement is obtained in the pre-arrange manner, subject to satisfy the credit requirements of the documents.

Settlement by negotiation: The documents are submitted by the seller to a negotiating bank. After the documents are examined, the bank can negotiate the documents and provide value to the beneficiary.

4.4.10 Lodgment of the documents

The documents are kept in the PAD register and information like PAD number, L/C number, amount, number of copies of documents, name of imported items, etc. are written. This process is called lodgment.

4.4.11 Retirement of the documents

Retirement of the documents is the process by which the documents are collected from the bank by the importer. The importer must meet the necessary criteria to retire the documents. The importer should debit the current account with the bank or create loan against the trust receipt (LTR).

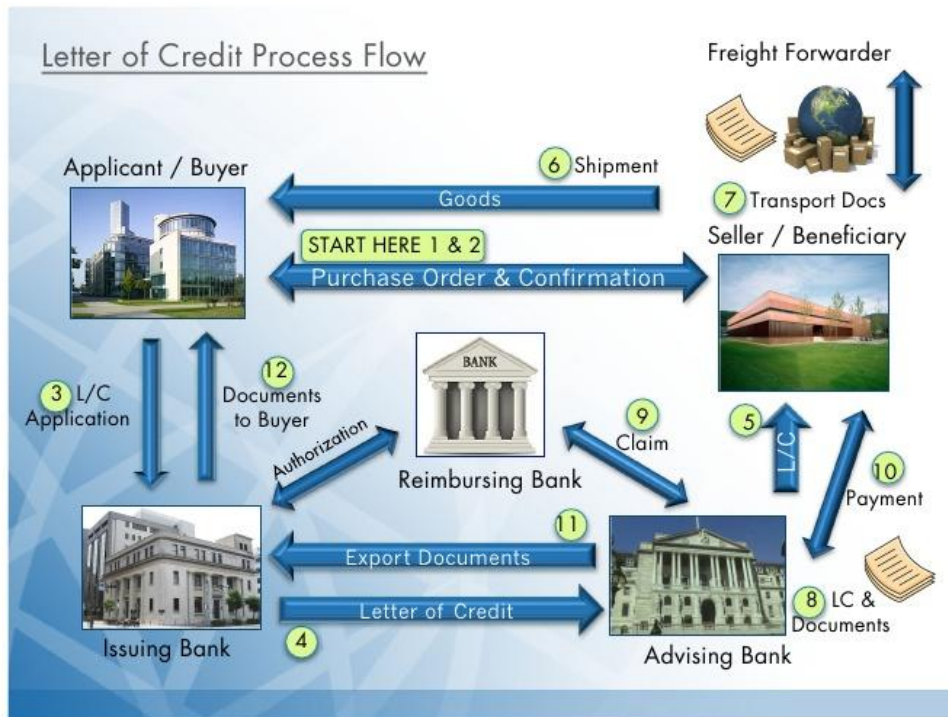


Fig. 6: Letter of Credit Process Flow

4.5 Import financing

SJIBL generally follows some types of import Financing. This sort of import financing greatly facilitate the import business and thus enable importer to have credit facilities from the bank.

4.5.1 Sources of finance

Import may be allowed under the following sources of finance:

Cash

1. Cash foreign exchange (balance of foreign exchange reserve of Bangladesh bank)
2. Foreign currency accounts maintain by Bangladesh National working / living abroad.

External economy

Aid

4.5.2 Types of import financing

There are two types of import financing

1. Pre- import financing.
2. Post import financing

4.5.2.1 Pre-import Financing

1. Opening of L/C under case, loan / credit etc. at below 100% margin: While importer opens L/C at 10% margin with a commercial bank indicates that the time of opening L/C, The importer concerned deposits taka equivalent to 10 % of the L/C valued and the rest 90% will have the deposits at the time of taking delivery of bills from the issuing bank.
2. Opening Back to Back L/C: Back to back L/C is a credit that is opened at the request of the beneficiary of the original export L/C. This type of L/C is often used by the ready-made and garments industries to facilitate import of fabrics and other things required for garments manufacturing.

4.5.2.2 Post-import Financing

1. PAD (Payment against document): On receipt of import bills against the L/C from the negotiating bank, the issuing bank scrutinizes the documents with the terms and conditioned of the L/C and if it is found completely in order, PAD loan in the name of the importer in order to reconcile the entries so debited by the reimbursing bank.

2. LIM (Loan against Imported merchandise): LIM may be created at the request of the importer while he is not in a position to take delivery of import bills by making of entire bank dues. By creating LIM the name of the importer goods are cleared from the custom authorities by the L/C issuing bank the same at the go down under banks custody.

3. LTR (Loan against trust receipt):

a. Advanced against a trust receipt obtained from the customers. In this case, the documents covering an import shipment are pledged to the bank as security.

b. The customer holds the goods or their sale-proceeds in trust for the bank till such time, the loan allowed against the trust receipt is paid off fully.

4.6 Legal documents needed for import

Lots of legal documents are needed in order to import a product. The figure below shows the list of documents needed.

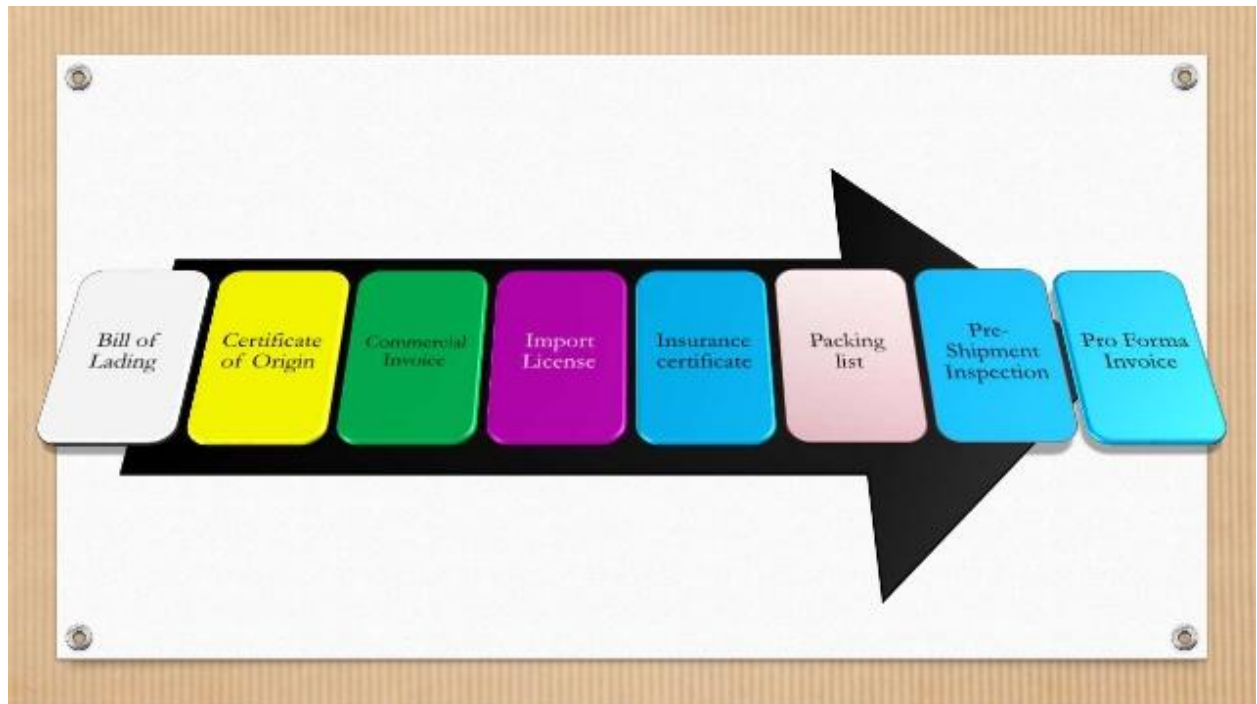


Fig. 7: Legal documents needed for import.

Chapter 5

Export Section

5.1 Introduction

Creation of the wealth in any country depends on the expansion of production and increasing participation in international trade. By increasing production in the export section we can improve the employment level of such a highly populated country like Bangladesh. Bangladeshi exporters mainly export readymade textile garments, jute items, tea, frozen shrimp, etc. to foreign countries. Garments sector has the largest share of the country's exports. About 40% garments are exported to USA. The exporters need to open export L/Cs to export their goods.

5.2 Export policy

The export policy is formulated by the Ministry of Commerce. There is a commodity-wise export target that the exporters must meet every year.

5.3 Export procedures

The Import and Export Act, 1950 regulates the import and export trade in our country. Under this policy an export must provide a valid export registration certificate. This certificate must be renewed every year. For obtaining the export registration certificate, the following documents are needed.

- Nationality certificate.
- Memorandum and Articles of association
- Certificate of incorporation in case of limited company
- Bank Certificate.
- Income tax certificate.
- Trade Licence certificate.
- Any other documents as per contract and Export policies order.

5.3.1 Securing the order

After obtaining REC certificate, the exporter must secure the export order. In this regard, the exporter may get help from:

- Licence officers.
- Buyer's local agent.
- Export promoting organization.
- Bangladesh Mission Abroad.
- Chamber OF Commerce (local or foreign).

5.3.2 Singing the contract

The exporter must sign a contract after communicating with the buyer for exporting the exportable items. Details like type of commodity, price, quantity, insurance, etc. must be mentioned in the contract.

5.3.3 Receiving L/C

After the contract has been signed, the exporter will ask the buyer for the letter of credit. The following things must be checked:

- Whether the terms of L/C matches with that of the contract.
- Whether the L/C is confirmed by an advising bank or not.

5.3.4 Negotiation

If there is any other mode of payment, then it must be mentioned in the contract. These include cash in advance, collection basis, etc.

5.3.5 Procuring the materials

After opening the L/C, the exporter must procure or manufacture the merchandise written on the contract. If the exporter has to procure the raw materials from another supplier he has to open Back to Back L/C.

5.3.6 Shipment of goods

The exporter must arrange for the export of the goods mentioned in L/C. He must prepare and submit the shipping documents for payment or negotiation on time. The following documents are required for shipping.

- EXP form
- Valid ERC
- L/C
- Shipping documents
- Insurance documents
- Invoice
- Bills of exchange
- Certificate of origin
- Inspection certificate
- Quality Control Certificate

5.3.7 Final steps

The exporter must submit these documents to the bank for negotiation.

5.4 Parties to export transaction

- Importer
- L/C issuing bank
- L/C advising bank

- Make bank's lien on the face of the original
- Shipment of goods by the exporter
- Preparation of export documents for submission to negotiating bank

5.4.1 Add confirming bank

If there is any specific instruction from the bank issuing the L/C, the bank may include additional confirmation to export L/C. This gives an extra assurance to the seller regarding payment. The following things are needed to do so.

- Issuing bank should be reputed bank.
- Credit line/ Arrangement with the L/C issuing bank.
- L/C clauses are to be acceptable to the confirming bank.
- Approval from the component authority of adding confirmation of export L/C. Confirmation charges are to be recovered as per rules.

5.4.2 EXP forms

All exporters must be declared on the EXP form. On EXP form statutory declaration is furnished by exporter before shipping goods to countries outside Bangladesh & certificate on it is given by the banker. The EXP forms issued in quadruplicate and numbered serially.

5.4.3 Receipt of Export L/C & Advising thereof

Signature of foreign banks on the L/Cs is verified when airmail export L/C received from the correspondence specimens signature books. The L/C is examined thoroughly complying with the requisite of concerned UCPDC provisions. Attention is drawn to the opening bank to any clause which contravenes exchange control regulations. Entry is made in the L/C advised register and credit is advised to the exporter.

EXP form issued only account of genuine parties after verifying their ERC when presented duly signed by exporter certified by authorized officer of the bank. Entry in the EXP certificate

register introduced as per specification of ECD Bangladesh bank. Reminders send to the exporters if the relative documents are not submitted in time against EXP already certified by us. Export bills are scrutinized meticulously with L/C terms & conditions. Negotiation made on the same day or on the following day positively under information to international division, Head office. Submission of duplicate copy of EXP form within 15 days from the date of negotiation of documents as per requirement of the ECD Bangladesh bank.

Submission of triplicate copy of EXP form to ECD Bangladesh bank with monthly returns. Follow-up a proper which is kept on the bills negotiated under L/Cs and payments in time. Bills negotiated under guarantee be followed up and got realized. Counter guarantee from the export is obtained in case of negotiation of discrepant documents. Export proceeds realization certificate be issued only against documents negotiated without discrepancy.

5.4.4 Packing credit

Packing credit is allowed complying with the instruction issued by ECD, Bangladesh bank in F.E circular. For covering a particular shipment adjustable upon negotiation/ purchases of relative export documents. in the form of limitation for a particular period adjustable periodically. Broadly in the following forms:-

- Export cash credit
- Export cash credit (Pledge)
- Export cash credit against trust receipt
- Packing certificate
- Back to Back letter of credit (inland & foreign).
- Credit against red-clause letter of credit.

Check point for allowing packing credit

That the exporter is duly registered with CCI & E, holding valid ERC. Credit worthiness of the export be judged where applicable with reference to the financial statement. Past export performance (if any). That the export L/C is genuine, irrevocable valid, containing standard terms & conditions and is of first class foreign bank lien due marked on it, where required, the status of the bank should also be ascertained. Reimbursement clause is carefully noted to serve the purpose and ensure that the terms of credit do not violate exchange control registration of the country. If needed the buyer's credit worthiness is verified through foreign correspondent. Credit requirement of the party must be within the set norms of credit restriction. That charge document applicable to the type of credit allowed is obtained prior to allowing facilities. ECG coverage is obtained where applicable.

5.5 Export financing

Export is an important part of a bank. An exporter needs financial services at various stages of the export process according to the nature of the contract.

5.5.1 Types of credit

There are mainly two types of credit. These are discussed below.

- Pre-shipment credit.
- Post-shipment credit.

Pre-shipment credit: Pre-shipment credit is given to finance activities of an exporter prior to the actual shipment of the goods. Before providing the credit, the bank needs to know the export performance, credit worthiness, and other information about the exporter. Pre-shipment credit is allowed for the following purposes:

- To meet working capital needs
- Cash for local procurement and meeting related expenses.

- Packing & transporting of goods for export.
- Payment of insurance premium.
- Inspection fees.
- Freight charges etc.

Post-shipment credit: This type of credit is given to the exporter after the shipment of the goods. The credit is provided against the export documents. If the exporter cannot wait long for the payment, he applies for this type of credit. The bank has to look into the necessary documents and get assurance about the exporter's soundness to pay back the money before extending such credit. The following documents are needed for post-shipment credit.

- Bill of exchange or draft.
- Bill of lading.θ Insurance policy.
- Invoice.
- Certificate of origin.
- Inspection certificate.

5.5.2 Export foreign documentary bill purchase

In some cases, the bill of export must be submitted to the bank for collecting the payment of back-to-back L/C. The bank, in such case, purchases the bill and collects the amount from the exporter. This amount is subtracted from the back-to-back L/C. The rest of the money is given to the client.

5.5.3 Advances against export bills surrendered for collection

Bills that are drawn under the L/C are negotiated by the bank and the exporter. If there is not discrepancy in the documents, the bank gives the money to the exporter. The bank may ask for collateral security in addition to the export bill.

5.5.4 Export incentives

- Rate of interest in export financing.

- Export credit facility for 180 days, 270 days export for tea, leather and frozen food.
- Bonded warehouse facilities to 100% export oriented industry.
- No overdue interest on FBP is to be charged for negotiation of export documents
- Duty free import of capital machinery for 100% export oriented industry.
- Credit card facility
- Duty draw back facility.
- Export credit guarantee scheme.
- Export development fund.
- Cash assistance/ Cash Incentives

5.5.5 Overdue export bills

Full foreign exchange proceeds of export must be received by exporter in four months. Overdue causes must be reported to Bangladesh bank by authorised dealer in prescribed form as per rules.

5.5.6 Transfer export L/C

A transferable L/C can be transferred to second beneficiary at the request of original beneficiary and transfer may be once only. The credit can be transferred only on the terms and conditions specified in the original credit with the exception of the amount of the credit and unit price expiry, period of shipment. There are lots of tasks involved in exporting a product. The basic import-export procedure is explained in the flow chart below.

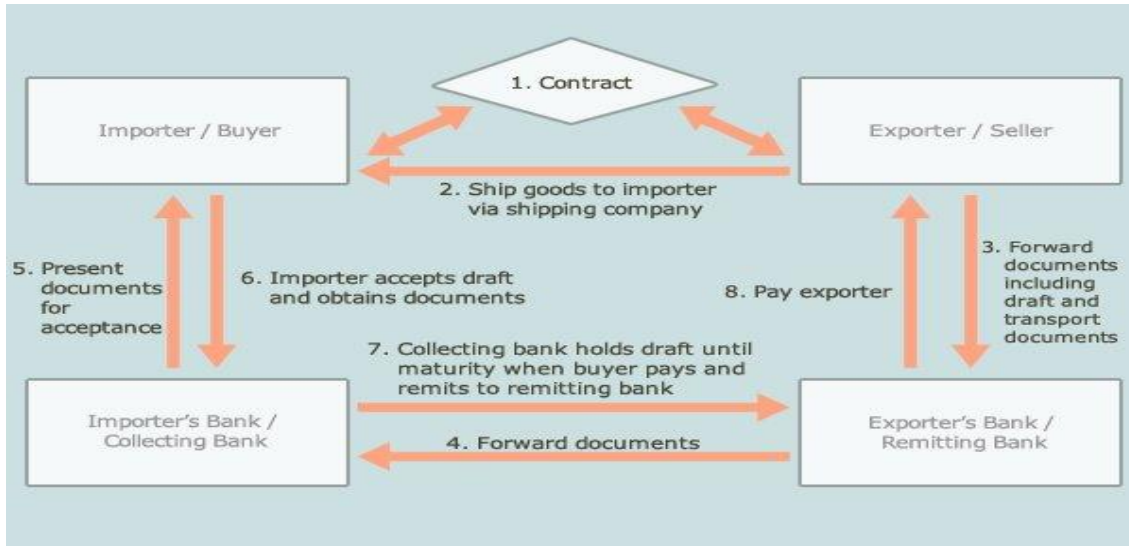


Fig. 8: Flow Chart of Import-Export Procedure

Chapter 6

Remittance Section

6.1 Foreign Remittance

Foreign remittance means purchase and sale of freely convertible foreign currencies and administer under exchange control regulation of the country. Purchase of foreign currencies constitutes inward foreign remittance and sale of foreign currencies constitute outward foreign remittance.

6.1.1 Types of foreign remittance

There are two types of foreign remittance.

- Inward foreign remittance.
- Outward foreign remittance.

Inward foreign remittance: Inward foreign remittances mean remittance received in Bangladesh from abroad through normal banking channel in the form of F.T.T, F.M.T & F.D etc. issued by foreign banks on any authorized dealer in Bangladesh. Inward foreign remittance is a major contributor to the foreign currency reserve. Shahjalal Islami Bank Limited ensures that there is more inflow of remittances from the non-residence Bangladeshis by providing quality services.

TT: T.T must be authenticated by banks concerned officer. The following points must be seen in payment of T.T:-

- Name of the remitting bank.
- Amount in foreign currency.
- Test number, Date and foreign name of the branch with whom test applied.
- Name of the beneficiary and A/C number.
- Name of the beneficiaries bank/ branch with address.
- Name of the remitter.
- Name of covering bank in absence of drawing arrangement with remitting bank.
- Value date of remittance.

- Purpose of remittance.
- Entry in the FTT paid register.

Outward foreign remittance:

- Issuing of FDD, TT, MT in USD, GBP, EURO, AUD & JPY
- Issuance of AMEX travelers' cheque in USD.
- Handling of student file of the student going abroad for educational purpose in USD, GBP, EURO, AUD and JPY.

Checking points of outward remittance:

- Application for foreign currency draft of remittance by means of telegraphic transfer (T.T).
- Demand note/ Invoice where Bangladesh bank permission is not required. T/M from duly filled in and signed by the applicant.
- Declaration of the applicant in respect of foreign currency previously consumed by him.
- Permission from Bangladesh bank for remitting foreign currency exceeding normal quota as per standing circular of Bangladesh bank.
- Validity of permission must be seen if approved by ECD, Bangladesh bank.

6.1.2 Remittance under WES

This means inward remittance earned by earners residing and earning abroad the sending their earning through banking channel which is entitled to have the exchange rate under WES as fixed by Bangladesh bank which is normally higher than the official rate. 6.4 Foreign Currency Account An account opened and maintained by authorized dealers in currencies other than Bangladeshi Taka. Without prior approval from Bangladesh bank FC A/C may be opened in US dollar, Great Britain Pound, Japanese Yen, and EURO. Various account services are provided by the bank. The FC account may be in the form of: Non-Resident foreign currency deposit account (NFCD).

- Resident foreign currency deposit account (RFCD).
- Private foreign currency account
- Convertible & Non-convertible Taka account
- Private Non-Residential Taka account.
- Non-Resident Non-Convertible Taka account.

6.1.3 Salient feature of FC account:

The salient features of FC account are:

- Opened without initial deposit.
- Remains operative even if operation not made for a particular time.
- Bears no interest.

Operations generally transfer in nature. The account opened provisionally if some particulars not finished but subject to subsequent realization to make the F/C account workable. Both the account holder and nominee can operate the account. First transaction normally takes place when the remittance deposited. Entire remittance from abroad is free from income tax.

6.1.4 Papers/ documents required for opening the foreign currency account

Remittance Received Other Than WES:

Remittance from abroad may be received which will not be allowed wage earns benefit. These are:-

- Remittance by the foreign national.
- Foreign company or firm.
- Bangladesh companies or firm operating business abroad.
- Gift etc

6.1.5 Remittance and Other Facilities for Foreign Nationals:

Family Remittance Facility: Foreign nationals who are residing in Bangladesh can make monthly remittances to their home country. It must be up to 50% of their net income.

Remittance of Sale Proceeds of Assets: – Application for remittance of sale proceeds of real assets such as household articles and real estates should be forwarded to the Bangladesh Bank with the following documents/certificates:

Remittance of Foreign Exchange for Education Abroad:-

Bangladeshi nationals can release foreign exchange for studies abroad. The bank will help in all possible ways.

Family Maintenance Abroad by Resident Bangladesh Nationals:-

For maintenance of family abroad, a moderate amount of remittance can be provided. In this case, the approval from the Bangladesh Bank is required. Other documents must be provided to show proof of income, residency status, etc.

6.2 Commercial Remittance

Outward Remittances:-

Outward remittances are those sent abroad in foreign exchange. The bank should systematically maintain proper record to make these available to Bangladesh Bank as and when required.

Forms:-

For import payments, the branch will accept applications from the importers on form IMP while in other cases of outward remittances the prescribed form of applications is called TM. These Forms are also to be used for reporting to Bangladesh Bank. In case prior approval of Bangladesh Bank is required, the branch will send the TM form, along with the necessary papers to the Bangladesh Bank for approval. The TM Form or special permit, if any, or approval letter issued by Bangladesh bank should be utilized within the period, if any stipulated therein and

conditions laid down by them must be carefully observed. Original copies of the IMP and TM Forms must be submitted to the Bangladesh Bank along with the specified Returns.

Freight and Passage Collections:-

The branches may receive applications from airlines and shipping companies or their agents on Form TM along with a declaration on Form FP for remittance of freight and passage fares collected in Bangladesh. Bangladesh Bank has laid down elaborate guidelines in Chapter 16 of the Guidelines for Foreign Exchange Transactions, 1996. Should a branch receive applications for these types of remittances they should dispose them of strictly as per those guidelines. Similarly, applications from Bangladesh Biman and Bangladesh Shipping Companies for remittance of operation expenses of their vessels at foreign ports and stations should be disposed of as per the instructions contained in the said Guidelines.

Remittances against Export Claims:-

The branch may remit export claims not exceeding 10% of repatriated export proceeds on the following counts:-

- Short weight claim;
- Quality claim;
- Part shipment.

6.3 Foreign Currency and Convertible Taka Account

Private Foreign Currency Accounts:- This account can be opened by the following people:

- Bangladesh nationals who are residing abroad,
- Foreign nationals who are residing abroad or in Bangladesh,
- Foreign firms that are operating in Bangladesh or abroad, and
- Foreign missions and their expatriate employees living in Bangladesh.

FC Accounts of Overseas Bangladesh Nationals:-

- Bangladesh nationals working abroad may open foreign currency accounts.
- Account holder may operate the account either himself or nominate other persons in Bangladesh for this purpose.
- The account may be opened in pound sterling, US dollar, euro or Japanese yen.

Resident FC Deposit Account:-

Who is eligible to open the Account?

People who are living in Bangladesh can open and maintain this account with the foreign exchange that was brought in when they returned from abroad. Any amount that is bought with the declaration to the Customs authorities can be credited to this account. Proceeds from export of goods can also be credited to this account.

Non-Resident FC Deposit Accounts (NFCD):-

Who can open the Account?

All non-resident Bangladesh nationals and persons of Bangladesh origin including those with dual nationality and ordinarily residing abroad may maintain profit bearing time deposit account named Non-Resident Foreign Currency Deposit (NFCD) Account with the authorized dealers. These accounts may be opened initially with minimum amount of US\$ 1000 or pound sterling 500 or equivalent.

Convertible Taka Accounts:-

Who can open the Account?

The branches may open convertible Taka Account in the names of: Foreign organizations/nationals viz., diplomatic missions, UN organizations, non-profit international bodies, foreign contractors and consultants engaged for specific projects under the Government

or semi Government agencies, the expatriate employees of such missions / organizations who are residents in Bangladesh.

Operation on Convertible Taka Account:-

A convertible Taka account may be debited for payments in foreign currency abroad for local expenses, transfer to foreign currency account or other convertible account or for credits to a non-convertible account.

Nonconvertible Taka Account:-

Foreign organizations and their expatriate personnel entitled to open convertible Taka account may maintain non-convertible account with the branch without prior approval of Bangladesh Bank. This account may be debited/ credited for the following purpose:

Joint Account of Resident and Non-Resident:-

If the account is operated solely by the resident or jointly with the non-resident it should be treated as “Resident Account” but if solely a non-resident operates it, it should be treated as Non-resident account.

All the activities are performed through the:-

- .. Western Union.
- .. Kushiara.
- .. Money Gram.
- .. SWIFT service

the exporter and the importer. The exporter is assured of his payment because of the credit while the importer is protected because documents in respect of exports of goods have to be delivered by the exporter to the paying bank before the payment is made.

Chapter 7

Findings, Recommendations and Conclusion

Findings

While working as an intern at the Shahjalal Bank Ltd. Uttara branch, I have gained lots of experiences. Here is the summary of my findings.

1. The Foreign Exchange Department of Shahjalal Islami Bank Ltd. is very active. Their L/C procedures and the other foreign exchange operations attract lots of customers.
2. There are rooms for improvement. There should be better schemes for the importers and exporters so that they find it convenient to work with the bank.
3. The number of exchange houses for remitting money is limited. It also takes 2 to 3 working days for the money to reach the customer's account.
4. There is shortage of manpower in the Foreign Exchange Department of Shahjalal Islami Bank Ltd. The workload is very high and the employees struggle to meet deadlines. Sometimes, it hurts customer service. As one of the main objectives of this bank is to provide outstanding customer service, too much work load can prevent the employees from providing good service to the customers.
5. Though, the bank follows the instructions of the Bangladesh Bank in most cases, sometimes they have to work against the rule to make their work convenient. For example, a client is required to take the EXP form from the bank after giving the commercial invoice. However, in reality, people take the EXP books in advance from the bank without showing the commercial invoice.
6. Those who work in the Foreign Exchange Department are trained very well. Both new and old employees are trained on a continuous basis.
7. Switching employees from the Foreign Exchange Department to other departments create problems. Extra time is needed to train new employees.

Recommendations

On the basis of my observation I would like to recommend the following suggestions:

1. The bank should work according to the instructions provided by the Bangladesh Bank. Practices such as issuing EXP number over the phone, must be avoided so that any major problem doesn't occur.
2. Latest software must be used for the banking operations. It will make the works fast and error free. The internet facility must be improved.
3. Bigger office space can make the working environment better. The Foreign Exchange department has lots of functions and more space will help the employees to work more comfortably.
4. The import and export volume must be monitored. At present, import is greater than export causing the balance of trade to be negative. The bank must try to increase export volume and also to reduce the gap to increase profitability and stability.
5. In many cases, the foreign banks choose for a confirmation from other foreign banks, which is dishonor for the local bank. It proves the poor financial condition of our country. Bank should try to improve this situation.
6. Letter of credit opening procedures and margin requirement may be relaxed for SJIBL customers, otherwise new and competitive bank will take the clients away by giving special facilities.
7. In case of Export L/C, sometimes customers insist on giving their payments even if they don't have the proper documents. The rule should be made stricter in order to ensure clarity of the system and maintain quality service.
8. SJIBL must offer special services to attract foreign remittance. This way the bank will be able to generate revenue.

9. The bank needs to revise the Foreign Exchange related charges so that they can stay competitive in the market.

10. SJIBL needs to increase their Exchange house so that much people from outside Bangladesh can remit their money through SJIBL.

11. The bank may provide detailed reports to the exporters so that they can evaluate the demand for their products in foreign countries.

It is necessary for the bank to stay up-to-date with the present and future trends in this industry. One of the major goals of the Foreign Exchange department must be to make sure that their operations are dynamic and less time consuming. Providing good customer service must be a priority and steps must be taken to attract more customers to trade products in foreign countries.

Conclusion

Banks need to be competitive. The competition in the banking sector is very strong today. Customers now have more choices and the banks must provide services to exceed the customer's expectation in order to stay ahead of the competition. Shahjalal Islami Bank Ltd, Uttara branch is one of the most potential Islami banks in the Islami banking sector. It has a large portfolio with huge assets to meet up its liabilities and the management of this bank is equipped with the expert bankers and managers at all levels of management. The performance of Shahjalal Islami Bank Limited during the last five years has been very positive. The bank has been successful in attracting more customers compared to the other banks. This has been possible due to the excellent customer service and strong customer relationship. For banks credit is the main source of profit and on the other hand, the wrong use of credit can bring disaster not only for the bank but also for the economy as a whole. The less the amount of loan losses, the more the income from credit operations of the banks. The objective of credit management is to maximize the performing assets and the minimizing the none performing assets. The foreign exchange department of the bank is very efficient in carrying out international trade. It helps both importers and exporters to do business comfortably. With great policies and outstanding service, the bank is able to attract more clients now. The bank is optimistic that the volume of business will increase in future through pragmatic and market friendly policies. The Bank shall continue to explore new branches for banking. They shall endeavor to adopt customer-oriented policies and introduce new techniques that will help to earn profit and increase greater confidence of the existing and prospective customers.

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