INTERNSHIP REPORT

The Foreign Exchange Activities of Sonali Bank Limited,

Corporate Branch Dinajpur

This Report is Submitted to the Faculty of Business Studies, Hajee Mohammad Danesh Science and Technology University, Dinajpur as a Partial Requirement for the Fulfillment of Degree of Master of Business Administration MBA(Evening)Program-2015.

Supervised By

Rafia Akhtar

Associate Professor

Department of Management

Faculty of Business Studies

HSTU, Dinajpur-5200

Prepare By

Md. Ashraful Islam

Student ID:E-130501051

MBA (Evening),Batch -1st

Major in Finance

Faculty of Business Studies

HSTU, Dinajpur-5200

FACULTY OF BUSINESS STUDIES
HAJEE MOHAMMAND DANESH SCIENCH & TECHNOLOGY UNIVERSITY, DINAJPUR
May-9, 2016

The Foreign Exchange Activities of Sonali Bank Limited, Corporate Branch Dinajpur

Abstract

The report on the foreign exchange activities of Sonali Bank Limited, Corporate Branch Dinajpur. This is necessity for the successful completion of the MBA (Evening) program. The report has been made with the help of Sonali Bank Limited, Corporate Branch Dinajpur officials and some third party sources that are being appropriately cited. At first, he report includes a short introduction of the organization. Then discuss institutional profile along with its history. The products /services, organizational organogram and the mission-vision of the company have also been reviewed. As I am working as an intern at Sonali Bank Limited, Corporate Branch Dinajpur, there are certain responsibilities of main. I have gathered a lot of new experiences. I have observed many things and had the opportunity to stay in touch with the very helpful employees of Sonali Bank Limited, Corporate Branch Dinajpur. All these things are also reviewed. Afterwards, the main body of the report starts. The different topics are divided among many parts for the convenience of understanding. Export, import and remittance, as a function of foreign exchange, was discussed briefly. Then, the analysis part includes the performance evaluation of the foreign exchange department. The report has ended with some findings, recommendations and conclusions.

ACKNOWLEDGEMENT

At the very beginning, I would like to express my sincere gratitude to Allah, who has given me the chance to complete my internship report in a very comfortable manner. This is an attempt to **"The Foreign Exchange Activities of Sonali Bank Limited Corporate Branch Dinajpur,"** as a part of the internship program. However to make this I am indebted to many persons for their ideas and assistance.

First of all, I would like to my honorable **Md. Zahangir Kabir,** Associate Professor and Dean, Department of Management, Faculty of Business Studies Hajee Mohammad Danesh Science & Technology University, Dinajpur-5200 who forwarded for placement to carry out the Internship program in Sonali Bank Limited Corporate Branch Dinajpur.

I would like to express my indebtedness to my internship Supervisor **Rafia Akhtar**, Associate Professor, Department of Management, Faculty of Business Studies, Hajee Mohammad Science and Technology University, Dinajpur, for helping me and giving assistance in preparing the report.

I would like to thank to my honorable Co-Supervisor **Rony Kumar Datta,** Assistant Professor, Department of Finance & Banking, Faculty of Business Studies, Hajee Mohammad Science and Technology University, Dinajpur, for helping and guiding me to fulfill the report.

I would like to thank to **Md. Abu Hasan,** Assistant General Manager, Sonali Bank Limited Corporate Branch Dinajpur, to allow me for the program in this well – reputed organization. I'm very grateful to **Madhab Chandra Roy**, Senior Principal Officer, Sonali Bank Limited Corporate Branch Dinajpur, **Md. Joynal Abedin,** Principal Officer, Sonali Bank Limited Corporate Branch Dinajpur and every official and employees of that branch for their continuous co-operation, sharing their time, supplying necessary documents and giving suggestions and supervisions.

……………………………

Md. Ashraful Islam

Student ID: E-130501051

MBA (Evening), Batch -1st

Major in Finance

Faculty of Business Studies

HSTU, Dinajpur-5200

Sonali Bank Limited

Dinajpur Corporate Branch, Dinajpur

NO. SBL/DIN/CORP P-260

Date: 03/05/2016

To Whom It May Concern

This is to certify that **Md. Ashraful Islam** having student ID: E-130501051 MBA (Evening) Major in Finance student of Hajee Mohammad Danesh Science and Technology University, Dinajpur completed his internship successfully in Sonali Bank Limited Dinajpur Corporate Branch Dinajpur. During the period of internship his attendance, performance in connection with his assigned duties and behavior with us are outstanding enough. He is obedient and hard working person also. He adopted all relevant works of different desks within the aforesaid period. During his internship period we found his good moral attitude and sound behavior.

We are satisfied with his performance and wish his success in life.

....

(Md. Abu Hasan)

Assistant General Manager

Sonali Bank Ltd.

Dinajpur Corporate Branch

Dinajpur.

Student’s Declaration

I hereby declare that the report of internship namely “**The Foreign Exchange Activities of Sonali Bank Limited, Corporate Branch Dinajpur**” by me after the completing of 45 days of internship with Sonali Bank Ltd. At Corporate Branch Dinajpur and a comprehensive study of the existing foreign exchange activities of Sonali Bank Ltd and its implementation.

I also declare that this paper is my original worked and prepared for academic purpose which is a part of MBA (Evening).

…………………………….

Md. Ashraful Islam

Student ID: E-130501051

MBA (Evening), Batch -1st

Major in Finance

Faculty of Business Studies

HSTU, Dinajpur-5200

Supervisor’s Declaration

I hereby declare that **Md. Ashraful Islam**, Student ID: E-130501051 MBA (Evening) Major in Finance; have submitted his internship report entitled “The Foreign Exchange Activities of Sonali Bank Limited, Corporate Branch Dinajpur” after completing his internship program under my supervision. This report has been submitted in partial fulfillment of the requirement for degree of MBA (Evening) at Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200.

……………………

Rafia Akhtar

Associate Professor

Department of Management

Faculty of Business Studies

HSTU, Dinajpur-5200

Co-Supervisor's Declaration

I hereby declare that **Md. Ashraful Islam**, Student ID: E-130501051 MBA (Evening) Major in Finance; have submitted his internship report entitled "The Foreign Exchange Activities of Sonali Bank Limited, Corporate Branch Dinajpur" after completing his internship program under my co-supervision. This report has been submitted in partial fulfillment of the requirement for degree of MBA (Evening) at Hajee Mohammad Danesh Science and Technology University, Dinajpur-5200.

……………………

Rony Kumar Datta

Assistant Professor

Department of Finance and Banking

Faculty of Business Studies

HSTU, Dinajpur-5200

CONTENTS

LIST OF TABLES

LIST OF FIGURES

Acronyms

B/C	: Bill of Exchange
B/L	: Bill of Landing
D/D	: Demand Draft
EXP	: Export Form
ERC	: Export Registration Certificate
EPB	: Export Promotion Bureau
FDD	: Foreign Demand Draft
FC A/C	: Foreign Currency Account
FOB	: Fee on the Bond
FER	: Foreign Exchange Regulation
FTT	: Foreign Telegraphic Transfer
FDBP	: Foreign Documentary Bill for Purchase
H/O	: Head Office
IRC	: Import Registration Control
IBC	: Inward Bill for Collection
IDBP	: Inland Documentary Bill for Purchase
L/C	: Latter of Credit
LIM	: Loan against Imported Merchandise
LTR	: Loan against Trust Receipt
LCA	: Letter of Credit Application
OBC	: Outward Bills for Collection
PO	: Payment of Order
PC	: Packing Credit
PRC	: Processed Realization Certificate
PAD	: Payment against Document
SBL	: Sonali Bank Limited
SWIF	: Society for World-Wide Inter Bank Financial Telecommunication
TR	: Trust Receipt
TIN	: Tax Identification Number

CHAPTER 1

INTRODUCTION

1.1 INTRODUCTION

Sonali Bank Ltd, the largest commercial bank in Bangladesh was established in 1972 under presidential order No. 26 of 1972. The Bank is fully owned by the government of the People's Republic of Bangladesh. Sonali Bank Ltd discharge the treasury function as the agent of the Bangladesh Bank. It collects tax, stamp duty and registration fee, operate special savings account, pay salaries to the teacher of Schools, Madrashas and Colleges and pension to the retired govt. employees. The provides funding to some income generating and economic development project namely, poverty alleviation credit program me, female special credit program me and agro based industrial program me in the rural areas. It has large participation in foreign exchange business and off balance sheet activities. Sonali Bank Ltd performs all traditional banking functions including deposit mobilizations and lending under 3 (three) main sections namely- General banking section, advanced banking sections and foreign exchange sections. Accounts maintaining, cash department and remittance are the main sections of general banking. All types of accounts like current accounts, saving accounts, fixed deposit account, short term deposit account, deposit pension scheme account, call deposit account etc, there opening closing procedure all this maintain in the account maintaining section. All types of cash receive and payments are done by the cash department and inward and outward remittances are done by the remittance section. Advanced banking section deals with different types of lending mainly Short-term loans; mid and long- term loans and Industrial Credit. Sonali Bank Ltd, one of the largest state owned Commercial Bank in Bangladesh. Education is to understand the real world and apply knowledge for the better of the society as well as economy. Form education the theoretical knowledge is obtained from courses of, which is only half way of the subject matter? Practical knowledge has no alternative. As practical orientation is integral part of MBA (Evening) program requirement, worked as an internship 45 days at Sonali Bank Ltd, Corporate Branch Dinajpur. And internship program in a bank like Sonali Bank Ltd for 45 days was a great opportunity for me where learned practical knowledge and experience on the various spheres of banking business .

1.2 Objectives

This report is prepared primarily to fulfill the Master of Business Administration (Major in Finance) degree requirement in MBA (Evening) Program of the faculty of business studies, at Hajee Mohammad Danesh Science and Technology University. Objectives of the study act as a bridge between the starting point and the goals of the study. To illustrate the objectives properly, presented into two parts:

A. Core Objective:

"To explore and acquire practical knowledge foreign exchange activities of Sonali Bank Ltd. Corporate Branch Dinajpur".

B. Specific Objectives:

1. To illustrate the foreign exchange activities of Sonali Bank Ltd. Corporate Branch Dinajpur.

2. To study on the rules and regulation of foreign exchange activities.

3. To compare the comparative analysis of foreign exchange activities from year to year of Sonali Bank Ltd. Corporate Branch Dinajpur.

4. To SWOT analysis of the foreign exchange activities of Sonali Bank Ltd.

5. To identify problems related to foreign exchange activities of Sonali Bank Ltd. Corporate Branch Dinajpur.

1.3 REVIEW OF LITERATURE

Foreign exchange department is international department of the bank. It deals globally: It facilitates international trade through its various modes of services. It bridges between importers and exporters for this literature review, I conducted a database search of reviewed academic journal articles by searching for terms like “foreign exchange services” “foreign exchange performance” and “foreign exchange activities” and many more. This search resulted in a large selection of articles and publications, which I studied to determine which to be included in the review for this paper. In addition to the reviewed journal articles, I also used references from popular media sources and visited several relevant online websites to provide what may be viewed as the popular mainstream perspective.

Belk and Glaum (1990) report the results of an empirical study undertaken during 1988 on how UK multinational corporations try to manage their foreign exchange exposure. The study was based upon research conducted in 17 major UK industrial companies. Majority of the respondents feels transaction exposure management was seen a centerpiece of their foreign exchange risk management. Despite the financial literature demonstrating that accounting exposure is not a useful concept for foreign exchange risk management, the study found that a majority of companies were inclined to manage their accounting exposure actively. Further surveyed MNC’s shed a lower degree of centralization and the majority of the respondents described their companies as ‘totally risk averse’.

Batten, Mellor and Wan (1993) conducted industry-wide, cross-sectional study on foreign exchange risk management practice and product usage of large Australian-based firms. Results are discussed from an empirical field study of seventy-two firms operating in Australia. Study finds that all firms hedge foreign exchange exposure. Survey finds that 61 percent of the Australian firms manage transaction exposure only, 8 percent manage transaction and 17 percent manage all three exposures (other

14% have not given their response). They found that Australian firms were using both physical and synthetic products to offset the cash flows generated by the firm's foreign operations and trade. The synthetic products used by these sample firms included futures, options, swaps and option products. The physical products used by these sample firms included spot, forwards, forward forwards and short and long term physical swaps. The survey suggested extensive use of synthetics by the corporate sector with 35 firms (49 percent) using both physical and synthetic products, four firms (6 percent) using only synthetic products and the remaining 33 (46percent) using physical products exclusively.

Bodnar, Hayt and Marston (1995) conducted a survey of derivatives usage by US non financial firms. Out of 350 firms took part in the survey, 176 from the manufacturing sector, 77 from the primary products sector which includes agriculture, mining, and energy as well as utilities, and 97 from the service sector. The study found that 76 percent of all derivatives users in their survey manage foreign exchange risk using some foreign currency derivative or the other. This percentage makes foreign currency derivatives the most commonly used class of derivatives among the surveyed respondents. Among the types of foreign currency derivatives the firms use, the forward contract is the most popular choice. More than 75 percent of firms rank the forward contract as one of their top three choices among foreign currency derivative instruments with over 50 percent ranking it as their first choice. OTC option are also a popular foreign currency derivative instrument, with about 50 percent of the firms choosing this as once of their top choices. Among the remaining instruments, swaps and futures are the most popular.

Chowdhury and Kashfia Ahmed (April, 2009) Discussed that banking system plays a very important role in the economic life of the nation. The health of the economy is closely related to the soundness of its banking system. In a developing country like Bangladesh the banking system as a whole play a vital role in the progress of economic development. A bank as a matter of fact is just like a heart in the economic structure and the capital provided by it is like blood in it. As long as blood is in circulation the organs will remain sound and healthy. If the blood is not supplied to any organ then that part would become useless. Export and import facility provided by the banks works as an incentive to the producer to increase the production. Most of the banks carried on foreign exchange trade. Whether they export or import, it is through banks that money is transferred from one country to another. For example, bills of exchange and letters of credit are the regular ways banks use to transfer money. According to **International Business Times AU** the Economist, (**Published by the, Retrieved: February 11.2011**) foreign exchange activities is arguably the world's largest market place. It has an average daily turnover of US$1.9 trillion, with some other sources such as **GO Market's Introduction to Foreign Exchange** estimating the market to have an average daily turnover in excess of US$4 million. The bank for international settlements says that average daily turnover in global foreign exchange markets is estimated at $3.98 trillion as of April 2010, which is a growth of more or less the $3.21 trillion daily volume in the same month back in 2007. Bottom line is foreign exchange has a huge turnover.

Jesswein, Kwok and Floks (1995) analyses and documents the extent of awareness and use of currency risk management's products by US Corporations. Based on the survey of fortune 500 companies, they concludes that traditional forward contract is the most popular derivative product with 93% using the same followed by currency swaps (53%) and OTC options (49%). Many recent hybrid products were least preferred by respondents.

Marrewijk, Charles Van, (October 2004) said that, the foreign exchange activities is a form of exchange for the global decentralized trading of international currencies. Financial centers around the world function as anchors of trading between wide ranges of foreign exchange market assists international trade3 and investment by enabling currency from the European Union member states especially Euro zone members and pay Euros, even though its income is in USD. It also supports direct speculation in the value of currencies and the carry trade, speculation based on the interest rate differential between two currencies.

Wai (1993) conducted a survey of 61 listed companies in Singapore with an objective to investigate the general practice adopted in foreign exchange risk management. Investigation revealed that foreign exchange risk management is an integral part of the operations of many companies in Singapore. The results of his survey show that a majority of the companies, accounting for 75 percent, adopt a centralized foreign exchange management system; 85 percent of the respondents feel that they operate their treasuries as a cost centre; the survey results show that some of these companies are prepared to take risks by leaving some of their exposure um-hedged or by taking position in currencies. He reports that 92 percent of Singapore companies hedge their foreign exchange exposure on a case-by-case basis; only a negligible proportion goes for cent per used hedging techniques of Singapore companies; other derivative instruments like futures. Options and swaps are not popular amongst the said companies.

1.4 METHODOLOGY OF THE STUDY

The report is descriptive in nature. The report would be based on a details discussion on `**The Foreign Exchange Activities of Sonali Bank Limited, Corporate Branch Dinajpur".** Throughout the report, the use different types of research method to find out proper and correct information, for preparing this internee report, gather experience form different department of the foreign exchange activities of Sonali Bank Limited was used. With a view to conducting are research study, what is necessary is to design the framework and select the appropriate research methodology. A research design is simply data. There are various methods of conducting the research, such as-interview method, observation method, historical method, statistical method, and like so on. The regarding the information required was collected within the organization from the corporate division of Sonali Bank Limited.

Primary Data:

- Practical desk work.
- Face to face conversation with the respective officers and clients.
- Personal observation.
- Relevant file study as provided by the officers concerned.

Secondary Data:

- Study on annual reports of Sonali Bank Ltd.
- Online data from Sonali Bank Ltd website.
- Published or unpublished or personally collected data from officers, local.
- Officers and head office of the Sonali Bank Ltd.
- Different journal regarding Sonali Banking.

Methods of data collection:

- Observation of different activity.
- Consultation with respective officer.
- Practical work exposure on different desk.

CHAPTER 2

INSTITUTIONAL PROFILE

2.1 HISTORY: OVERALL HISTORY OF SONALI BANK LIMITED

Soon after independence of the country Sonali Bank emerged as the largest and leading nationalized Commercial Bank by proclamation of the Banks Nationalization Order 1972 (Presidential Order-26) liquidating the then National Bank of Pakistan' Premier Bank and Bank of Bahawalpur. As a fully state owned institution the bank had been discharging its nation-building responsibilities by undertaking government entrusted different socio-economic schemes as well as money market activities of its own volition, covering all spheres of the economy. The bank has been converted to a Public Limited Company with 100% ownership of the government and started functioning as Sonali Bank Limited from November 15, 2007 taking over all assets, liabilities and business of Sonali Bank. After corporatization, the management of the bank has been given required autonomy to make the bank competitive & to run its business effectively. Sonali Bank Limited is governed by a Board of directors consisting of 11(Eleven) members. The Bank is headed by the Chief Executive Officer & Managing Director, who is a well-known Banker and a reputed professional. The corporate head quarter of the bank is located at Motijheel, Dhaka, Bangladesh, they main commercial center of the capital.

Some notable features of the Bank are as follows:

Capital Structure:

Authorized Capital	:	Tk. 6000.00 Crore
Paid up Capital	:	Tk. 3830.00 Crore

Branches & Subsidiaries:

1. Total No of branches:	1207
a. No of Foreign branches	2
b. No of Local branches	1205
i. No of Rural Branches	862
ii. No of Urban Branches	343
2 .No of regional Offices	16
3. No of principal Offices	46
4. No of G.M. Offices	11

1. Sonali Exchange Company Incorporated (SECI) having 10 (Ten) ranches in UK

2. Sonali investment limited (Merchant banking) having 4 (Four) branches at Bangladesh.

1. Sonali Bank (UK) limited having 6 (Six) branches in UK

Representative Offices: 1 (One) in Jeddah, KSA: 1(One) in Rivadh, KSA and 1

Correspondence : 639

2.2 HISTORY OF PARTICULAR BRANCH

A. Corporate Information:

Table 2.1

Name of the company	Sonali Bank Limited
1. Bara Pukuriya Co. Ltd Fulbari, Dinajpur	60,00000
2. Haser Mohammad Automatic Rice Mill	39,00000
3. RBP Waver Industry	30,00000
4. Patwary Business house(Pat-Ltd)	21,00000
Total Profit	**150,00000** (taka)

Source: Sonali Bank Ltd Corporate Branch Dinajpur

B. Department of Sonali Bank Ltd Corporate Branch Dinajpur:

There are 7 department of this branch following:

1. Loan and advance department
2. General Banking
3. Cash department
4. Clearing House department
5. Foreign Exchange department
6. Savings Certificate and
7. Establishment

C. **Total Number of Employees and Staffs of Sonali Bank Ltd Corporate Branch Dinajpur**

Total number of employees and staffs of Sonali Bank Ltd Corporate Branch Dinajpur are following table:

Table 2.2

Serial No.	Designation	No of Employees
1.	Md. Abu Hasan Assistant General Manager	1
2.	Senior Principal Officers	3
3.	Principal Officer	11
4.	Senior Officers	4
5.	Senior Officers (Cash)	7
6.	Officers	9
7.	Officers (Cash)	14
8.	Junior Officers	11
9.	Office Staffs	9

Source: Sonali Bank Ltd Corporate Branch Dinajpur

D. **History of Foreign Exchange Department Corporate Branch Dinajpur:** The foreign exchange department Corporate Branch Dinajpur was established in 29 January, 1977. The activities of the department mainly Import business, Export Business.

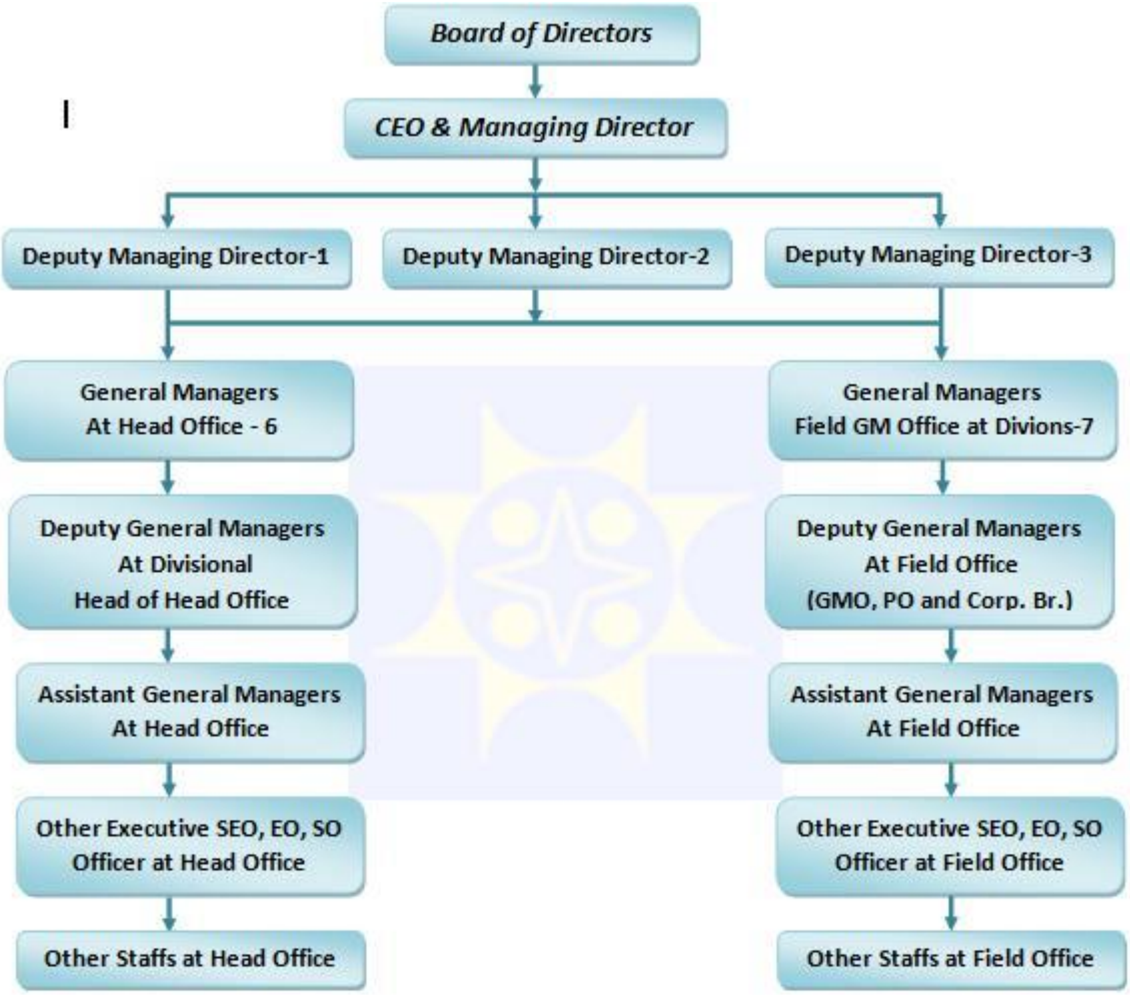
There are three employees works foreign exchange department. There are name and designation.

Table 2.3

Serial No	**Name**	**Designation**
1	Md. Abu Hasan	Assistant General Manager
2	Madhab Chandra Roy	Senior Principal Officer
3	Md. Joynal Abedin	Principal Officer

2.3 ORGANOGRAM:

Hierarchy Position of Sonali Bank Ltd



Figur2.1: Organogram of Sonali Bank Ltd. (Position wise)

2.4 FUNCTION AND OPERATIONS OF SONALI BANK LIMITED

A. Key functions of Sonali bank Ltd

In our country's economic acts Sonali bank is consideration as a most important bank. Sonali bank is doing so many things for our country .Commercial all types of work is done by the Sonali bank for the general as own. So based on proceeding nature, it is not possible to divide this bank perfectly. Event so for the convenient of the analysis this bank is divided into four parts.

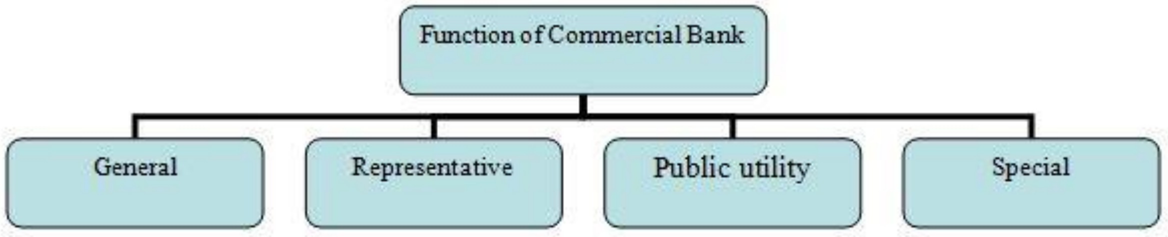


Figure 2.2: Function of Sonali Bank Ltd

1. General Banking Function: As a general banking institute in our country Sonali bank has to do the flowing works:

- Taking deposit and giving interest
- Grant loan and collecting interest
- Creation medium of exchange
- Honour of cheque creation of loan deposit
- Encourage to savings
- Formation of capital and investment
- Discount bill of exchange
- Obey the scheduled rules

General Banking

Types of bank account:

There can be many types of accounts that can be maintained in a branch of Sonali Bank, there are:-

- Current Account
- Saving Account
- Fixed Deposit Account
- Short Term Deposit Account
- Deposit Pension Scheme Account

- Sonali Bank Special Deposit and Pension Scheme Account
- Call Deposit Account
- Sundry Deposit Account

Current Account

Current accounts mean any account from which the customer can withdraw money as many times as he wants in a working day. The customer also can deposit money to his account as many times as he wants in a working day generally businessman or business firm, who need frequent withdrawal of money, opens current account. Two types of current account are usual. One is personal current account and the other is institutional current account.

Features:

The important features of current account are as following:

- No interest is paid on this account.
- No passbook is given for this account.

Savings Account

A savings account is meant for the people of the lower and middle classes who wish to save a part of their current income to meet their future needs and also intend to earn an income forms their savings.

Features:

The important features of savings account are as following:

- The account holder can deposit money to his account as many times as he wants in a working day, but he cannot withdraw money from his account more than two times a week and he has to withdraw minimum Tk.50 in cash withdrawal.
- Without notice, the account holder can withdraw 25% of his deposited amount minimum (but not more than Tk. 20,000). If the account holder withdraws more than 25% of his deposited amount or more than Tk. 20,000, he will have to give prior notice before 7 days of withdrawal. Otherwise no interest will be given to this account in that month.
- On the basis of minimum balance of each month, interest will be given to savings account in June and December in each year.
- If a savings account holder wants to close his account, then Tk. 25 will be deducted for his account as a cost of closing account.

Fixed deposit account

In this type of account, a certain amount of money is deposited for a fixed period of time. The bank repays the amount on the expiry of that specified period, or subject to a notice.

Features:

The important features of fixed deposit account are s following:

- ❖ Principle amount and interest is given after maturity.
- ❖ No interest is paid if one withdrawals his money before 3 months.
- ❖ The duration of fixed deposit account is 3 month to 5 years.
- ❖ According to Bangladesh Bank, 20% margin is required for taking loan against Fixed Deposit Receipt (FDR).
- ❖ FDR may be renewed after maturity. If anybody does not renew his FDR after maturity, the band will not pay any interest on that deposited amount after the maturity date.

Short term deposit account

By giving a special notice, depositors can withdraw money from short-term deposit account. Its interest rate is 3% per annum. It has less restriction than savings account regarding withdrawal of money.

Deposit Pension Scheme (DPS) account

Deposit pension scheme was introduced in 1983. New account opening of deposit pension scheme has been stopped by Bangladesh Bank from February 28, 1999.

The important features of DPS are as follows:

- ❖ The monthly installment of DPD may be in the denomination of Tk.100, Tk.200, Tk.300, Tk.400 or Tk.500. This should be deposited in by the first week of each month.
- ❖ Its interest rate is 5% (compounding).
- ❖ The term of DPS is either 10 years or 20 years.
- ❖ Amount payable at the time of maturity is given in the following table.

Table 2.4

Taka	Year	Total Amount (Taka)
100	10	26,344
200	10	52,688
300	10	79,032
400	10	1,05,376
500	10	1,31,720

Source: www.sonalibank.com

Sonali Bank Special Deposit Pension Scheme (SDPS) account

Special deposit pension scheme was introduced in 1996. The important features of this account are as follows:

- Its interest rate is 8% (compound interest) for 5 year term and 12% (compound interest) for 10 year term. From October/2005 the interest rate is 10% (compound interest).
- The monthly installment may be Tk. 100, Tk. 200, Tk. 300, Tk. 400 or Tk. 500. This should be deposited from 11^{th} to 20^{th} day each month.

Call deposit account

As a security, earnest money for various tender is deposited in this type of account. Earnest money remains in this account until tender is opened. After opening of tender, the tender giving institution can withdraw the deposited fund from that account. No interest is paid on this account.

Sundry deposit account

- Margin on letters of credit
- Margin on letters of guarantee
- Hajj deposits
- Employees contribution provident fund
- Employees general provident fund
- Sonali bank employees pension fund
- Sonali bank employees pension and death cum retirement benefit fund
- Miscellaneous

Interest rates of various types of deposits:

Interest rates of various types of deposits are shown in the following table:

Table 2.5

Types of deposit	**Interest Rate**
Saving deposit	4.00%
Short term deposit	4.50%
Fixed deposit : i. 3 months or more but less than 6 months ii. 6 months or more but less than 1 months iii. 1 years or more but less than 2 years iv. 2 years or more but less than 5 years	6.25% 6.50% 7.00% 7.25%
Deposit Pension Scheme(DPS)	10.00%
Sonali bank special deposit and pension scheme: i. 5 years terms ii.10 years terms	8.00% 12.00%

Source: www.sonalibank.com

2. Representative functions:

- Sonali bank helps the customer to transfer their money from one place to another place by the money laundering, mail transfer and telegraphic transfer.
- Acceptance of bill of exchange
- Buying and selling of securities
- Role as a trustee
- Representative of Bangladesh bank

3. Utility Services provided by the Bank:

The bank provides more than 21 types of free services on behalf of the government of Bangladesh through its rural and urban branches as part of their commitment to society. These services includes collection of utilities bills, payments of allowances to freedom fighters, old-aged people, meritorious the students, widowed & acid burnt women and also collection of taxes and revenues on behalf of the government organizations.

4. Special Function:

- Payment of insurance premium;
- Payment to of tax to the government;
- Payment of rent;
- Receiving of house rant
- Receiving part of profit from the company;
- Receiving of investment profit;
- Public utility functions;

B. Features of Sonali Bank Limited

Some notable features of Sonali Bank Limited are as follows:

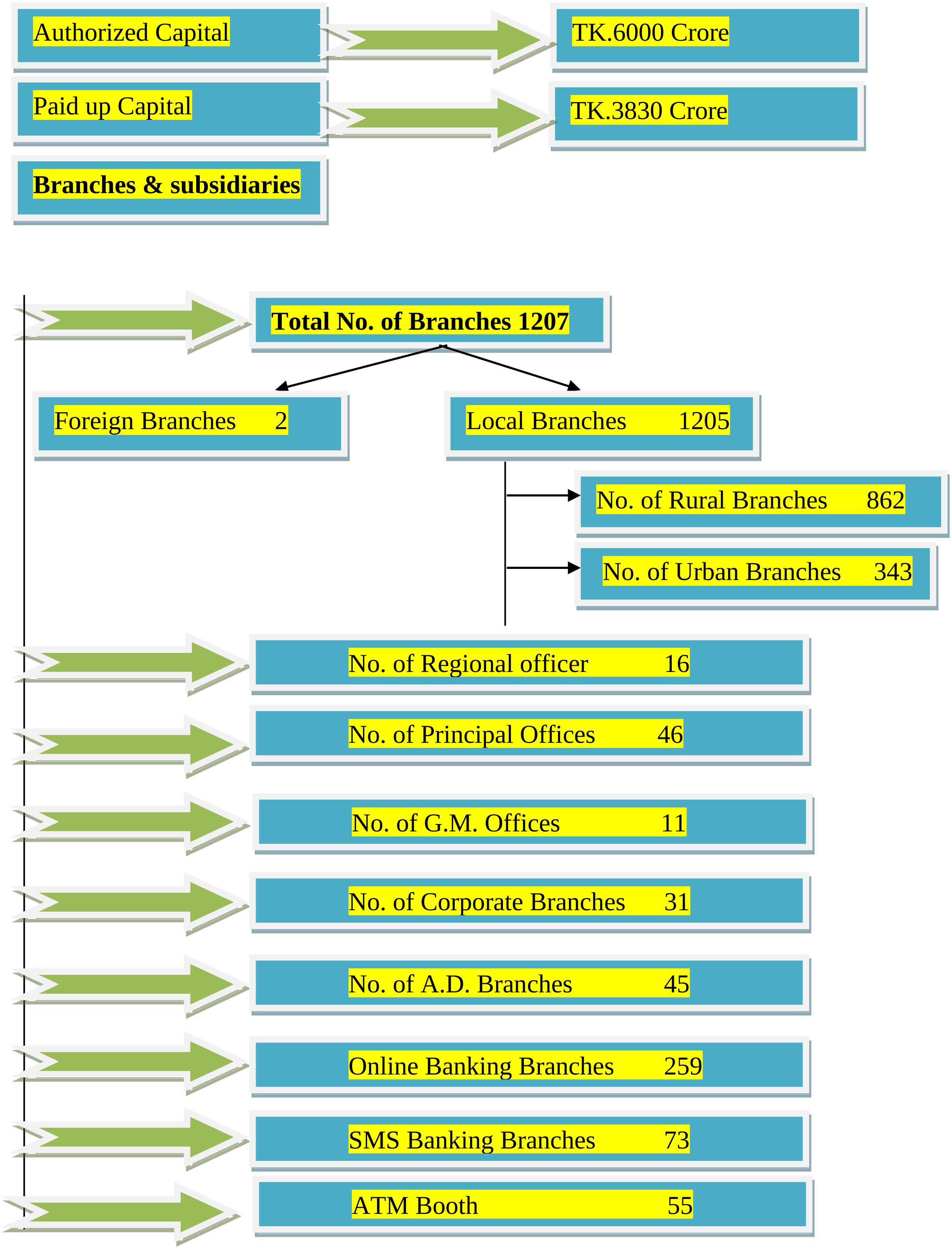


Figure 2.3: Features of Sonali Bank Limited

Source: www. sonalibank.com

C. Corporate Profile of Sonali Bank Limited

Name of the company	: **Sonali Bank Limited**
Chairman	: Dr. Fazle Kabir
CEO and Managing Director	: Pradip Kumar Dutta
Company Secretary	: A.K.M Sajedur Rahman Khan
Legal Status	: Public Limited Company
Genesis	: Emerged as Nationalized Commercial Bank in 1972, Following the Bangladesh Bank (Nationalized) order no. 1972(PO NO. 26 of 1972)
Date of Incorporation	: 03 June, 2007
Date of Vender's Agreement	: 15 November, 2007
Registered Office	: 35-42, 44 Motijheel Commercial Area, Dhaka, Bangladesh
Authorized Capital	: Taka 6000.00 crore
Paid-up Capital	: Taka 3830.00 crore
Number of Employee	: 21,839
Number of Branches	: 1206
Phone –PABX	: 9550426-31,33,34,9552924
FAX	: 88-02-9561410,9552007
SWIFT	: BSONBDDEH
Website	: www. sonalibank.com.bd
E-mail	: itd@sonalibank.com.bd

Vision

Socially committed leading banking institution with global presence.

Mission

Dedicated to extend a whole range of quality products that support divergent needs of people aiming an enriching their lives, creating values for the stockholders and contributing towards socio economic development of the country.

Motto

You trusted partner in innovative banking.

D. Products and services of Sonali Bank Ltd

Core Business

- Corporate Banking
- Trade Finance
- Investment
- Project Finance
- Loan Syndication
- Government Treasury Function
- SME Finance
- Foreign Exchange Dealing
- Money Market Operation
- Remittance
- International Trade
- Rural and Micro credit
- Lease Finance
- NGO-Linkage Loan Capital
- Market Operation Consumer Credit
- Special Small Loan.

E. Customer Services and Automation

Core Values

Sonali Bank Limited (SBL)'s core value proposition consists of ten key elements. The values would assist the bank in perceiving its employees to work as a team towards accomplishment of assigned duties and responsibility for achievement of desired objectives.

- **Team work:** Open communication, discussion and interaction amongst the employees would ensure unification of actions and efforts towards achieving the common goal.
- **Ethics:** Every one must ensure adherence to ethical practices of banking.
- **Objectivity:** All persons will have definite objective in carrying out their tasks.
- **Integrity:** Protection and safeguard of customers' interest is a vital element for societal trust.
- **Excellence:** Excellent performance and effectiveness are preconditions to ensure quality service to the large customer base of the bank.
- **Innovation:** New and innovative products are the needs of the time for which continuous action oriented researches are carried out.
- **Commitment:** Every employee is committed to word up to the expected level to ensure satisfaction of valued customers.
- **Self Reliance:** Each employee will have ownership attitude towards the bank and self confidence in his work for betterment of the bank.
- **Transparency:** Information is to be kept open for all so that stakeholders can have proper ideas about the bank's activities.

- **Accountability:** All employees are responsible for their activities and will remain accountable to their respective superior for accomplishment of tasks.

Core Strengths

- Transparent and Quick Decision Making.
- Internal Control
- Efficient Team of Performer
- Satisfied Customers
- Skilled Risk Management
- Diversification

Core Competencies

- Knowledge
- Experience & Expertise
- Customer Orientation/Focus
- Transparency
- Determination
- Zeal for Improvement
- Reliability

Ethical Principal:

Sonali Bank Limited believes that it will become a leading bank in the government sector. They believe that their aims and objects can only be realized fully and sustained overtime by faithfulness to ethics that cannot always be built into sets of rules and regulations. In this belief in ethics that motivates that bank in its dealings with customer, regulators and employees.

2.5 OTHERS

A. Loans and Advances Section

Sonali bank like most other commercial banks generally lends money on short or long term basis, as advances of different types, are repayable on demand. The advances may be clean i.e.., without any security or secured primarily or collaterally by authorized securities.

Types of advances or loans:

Sonali bank deals with different types of leading, such as-

Short-term loans:

- Overdrafts
- Cash credit (pledge, hypothecation)
- Small loans
- Agriculture loans (crop hypothecation)

- Rural housing
- Rural transportation etc.

Mid and long term longs

- Agro based industries
- Frozen food
- Computer software and information technology
- Export oriented finished leather and jute goods
- Export oriented spinning, textile and garments industries
- CNG (Compressed Natural Gas) filling stations
- Pharmaceutical industries
- Chemical industries
- Commercial house building
- Paper industries etc.

Bankers ascertain the loan proposal of above sectors/sub sectors and screening/ scrutiny the proposals with the norms of its internal and government policies. If the manager of a branch finds the proposal in order then he processes for sanctioning and disbursement with the consent of the management. After disbursement of loan, the banker takes necessary steps to recover the loan in time.

B. Foreign Exchange activities Section

Sonali bank like other commercial banks also deals with the flowing foreign exchange activities through its branches having authorized dealer license:

Foreign Exchange activities

- Foreign trade and foreign currency
- Payment against documents
- Remittance
- Advance against merchandise
- Foreign currency accounts and wage earners scheme
- Packing credit
- Foreign exchange: Imports and Exports
- Foreign bill collection
- Bank guarantee
- Non residence accounts
- Traveler’s cheque etc.

Sonali Bank's authorized branches: 39 branches in Bangladesh including Local Office 2 outside (foreign) branches.

Foreign Currency Accounts and Wage Earners Scheme

Foreign currency accounts are those accounts, which are allowed to be maintained in foreign currency with authorized dealers in Bangladesh. Such accounts cannot, however, be maintained in any foreign currency but is to be opened an maintained either in Pound Sterling or U>S. Dollar at the option of the prospective account holder. Such accounts can be opened under normal program or under "Wage Earner's Scheme". When opened under Wage Earner's Scheme such accounts enjoy some special facilities and benefits.

C. Deposit Collection:

The amount of deposit position of Sonali Bank for the last five years is given in the following Table:

Table 2.6

Year	Amount(crore taka)
2011	25,223
2012	27,708
2013	30,230
2014	32,045
2015	38,285

Source: www.sonalibank.com

D. SWOT Analysis:

Strength:

- Largest commercial bank in Bangladesh
- Widely recognized and strong brand name.
- Agent of Bangladesh bank.
- Qualified and experienced workforce.
- Strong liquidity and financial condition.
- Strong networks all over in Bangladesh.

Weakness:

- Huge amount of bad/debt loan.
- Lack motivation of workers.
- Service is not up to the mark.
- Online banking is not strong.
- Absence of teamwork.
- Weak branch controlling and monitoring system.

Opportunity:

- Investment potentiality in Bangladesh.
- Increasing demand of customer finance.
- Enormous opportunity in foreign remittance section.
- By implementing e-commerce and online banking remarkable
- Opportunities are created.

Threats:

- High standard commercial/ foreign bank as well as private bank.
- Illegal interference of CBA in banking activities.
- Highly qualified and experienced bankers leave the bank a very high percentage.
- Cannot take proper action against bad debtor due to political interference.
- Increasing percentage of shifting customer loyalty.
- Low Interest rate compare to private/Foreign banks.

D. Sources and Uses Funds

Table 2.7

Sources of founds	Uses of Founds
Authorized Capital	Cash in Hand.
Issued Capital	Balances in Current Account with other banks.
Subscribed Capital	Call Loan.
Called up Capital	Short loan.
Paid up Capital	Purchase of Govt. Credit Instrument, Share, Security.
Reserve fund and other reserves.	Bills Discounting and Treasury Bill.
Deposits and other accounts.	Loans and Advances.
Borrowing from Banking companies, Agency.	Loan from Central bank

CHAPTER 3

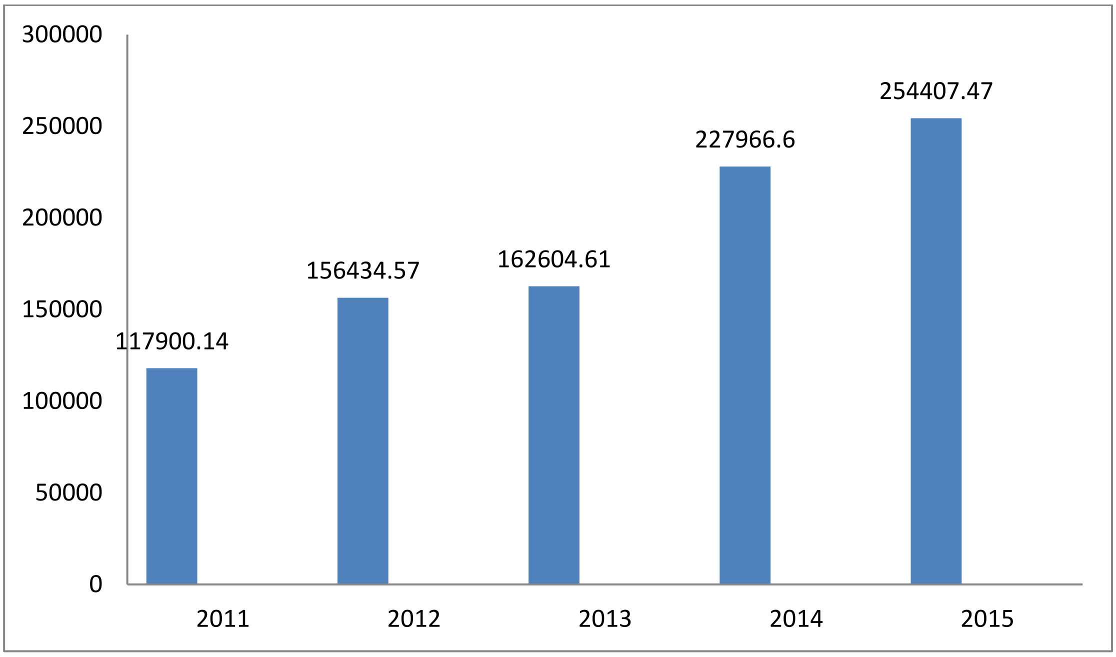
ANALYSIS DISCUSSION

1 DATA ANALYSIS:

Foreign Exchange Business (Including Export, Import &Remittance)

(Tk. In Millions) Content	2011	2012	2013	2014	2015
Foreign Exchange Business	117900.14	156434.57	162604.61	227966.60	254407.47

Foreign Exchange Business



Year

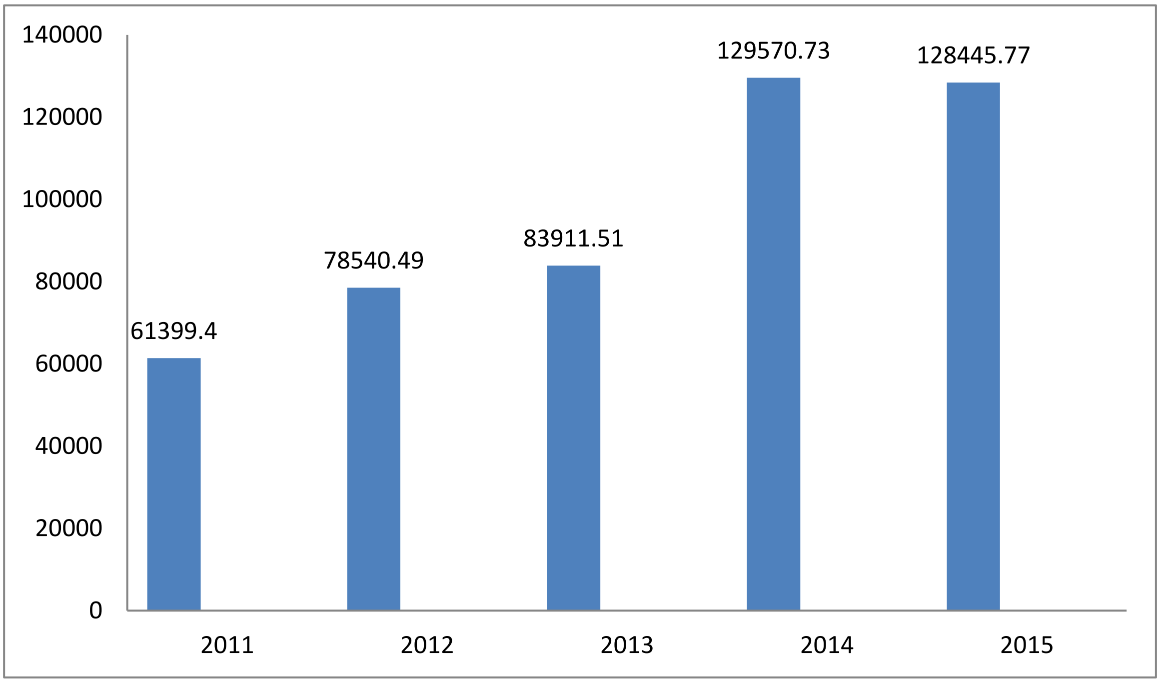
Figure 3.1: Foreign Exchange Business

Comment: From the above graph we see that amount of total imports Foreign Exchange Business are increasing trend over the 5 years. It indicates that the bank is financing huge amount to help in import materials and machineries. It also collects remittance by western money union and ways and provides customer services.

Import Performance of Sonali Bank Ltd.

(Tk. In Millions) Content	2011	2012	2013	2014	2015
Import Business	61399.4	78540.49	83911.51	129570.73	128445.77

Import Performance



Year

Figure 3.2: **Import Performance of Sonali Bank Ltd**.

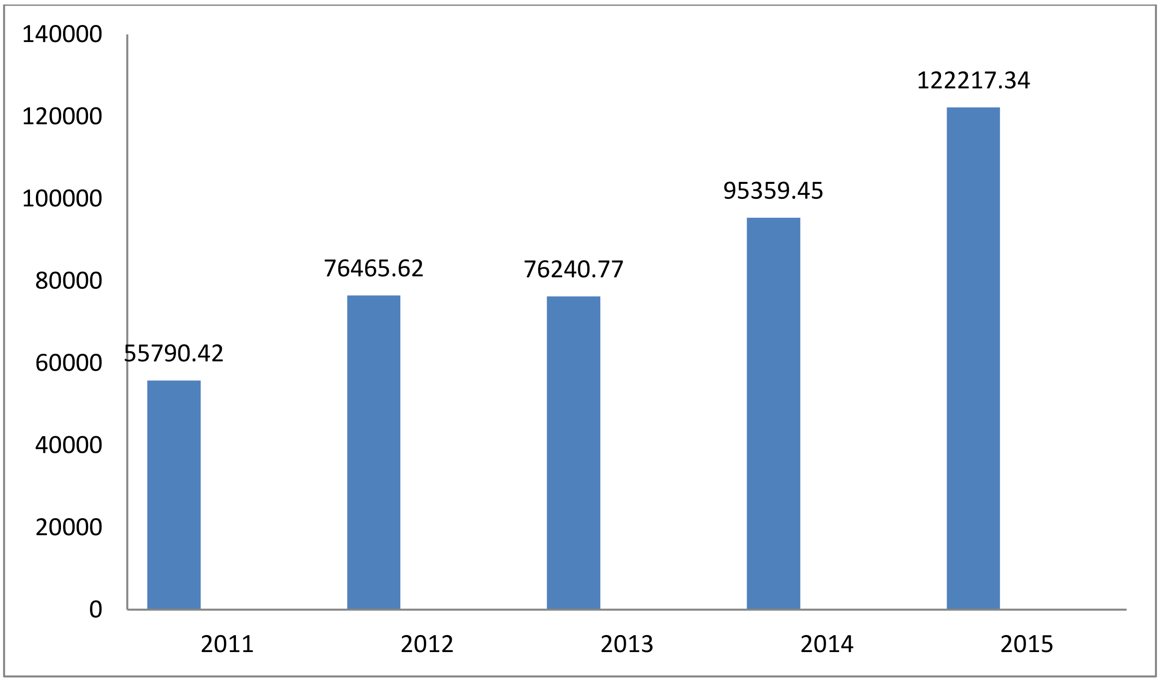
Comment:

From above graph, In the year 2015, import business of the bank was BDT 128.45 billion by handling 34,271 number of import letter of credit. Import business plunged by 0.87% in 2015 compare to the previous year.

Export Performance of Sonali Bank Ltd.

(Tk. In Millions) Content	2011	2012	2013	2014	2015
Export Business	55790.42	76465.62	76240.77	95359.45	122217.34

Export Performance



Year

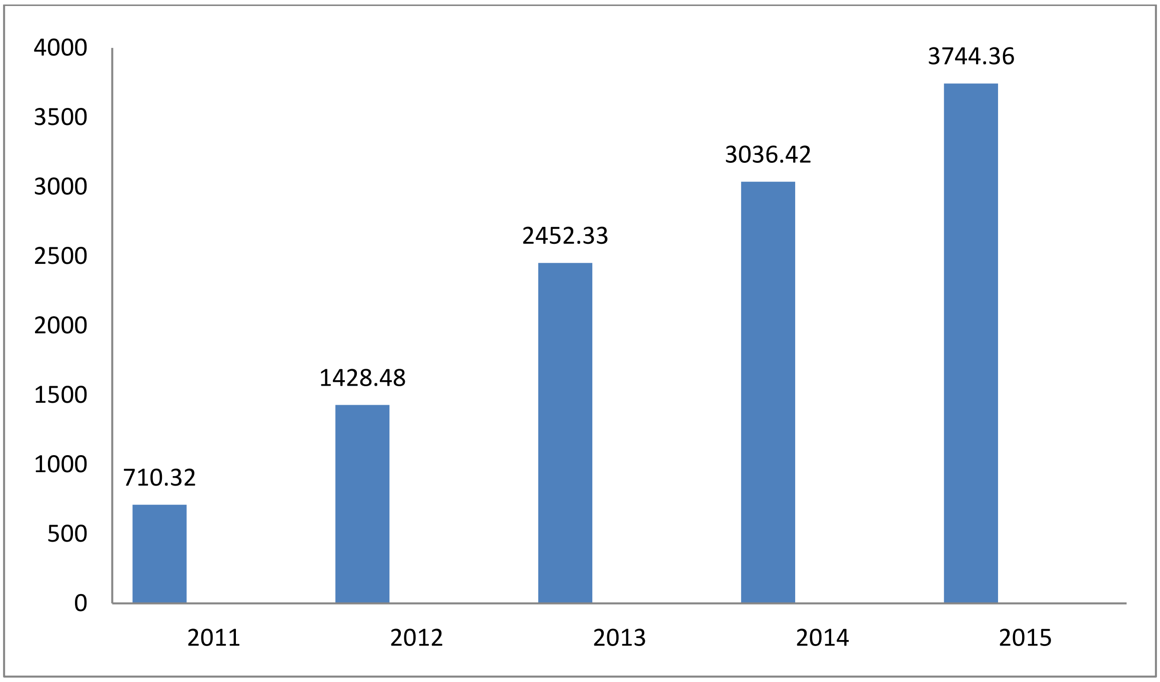
Figure 3.2: **Export Performance of Sonali Bank Ltd**.

Comment: From above graph, in the year 2015, export business of the bank was BDT 122.22 Billion by handling 33,857 numbers of documents. Export business of the bank stood at BDT 122.22 Billion in 2015 with a growth of 21.98% in comparison with the previous year.

Foreign Remittance Performance of Sonali Bank Ltd.

(Tk. In Millions)	2011	2012	2013	2014	2015
Content					
Foreign Remittance	710.32	1428.48	2452.33	3036.42	3744.36

Remittance Performance



Year

Figure 3.4: Foreign Remittance Performance of Sonali Bank Ltd.

Comment: From above graph Bank received BDT 3.74 Billion as wage earners remittance in the year 2015. It was BDT 3.04 Billon in 2011 which indicates the growth rate in 2015 is 23.32%.

Comparative Analysis of Foreign Exchange Operation of Sonali Bank Ltd Corporate Branch Dinajpur from 2011 to 2015:

Table 3.1

Year	Foreign Exchange Business Profit in Crore
2011	.70(70 Lac) Crore
2012	2.20 Crore
2013	3.35 Crore
2014	4.02 Crore
2015	5.35 Crore

Foreign Exchange Operation of Sonali Bank Ltd Corporate Branch Dinajpur from 2011 to 2015

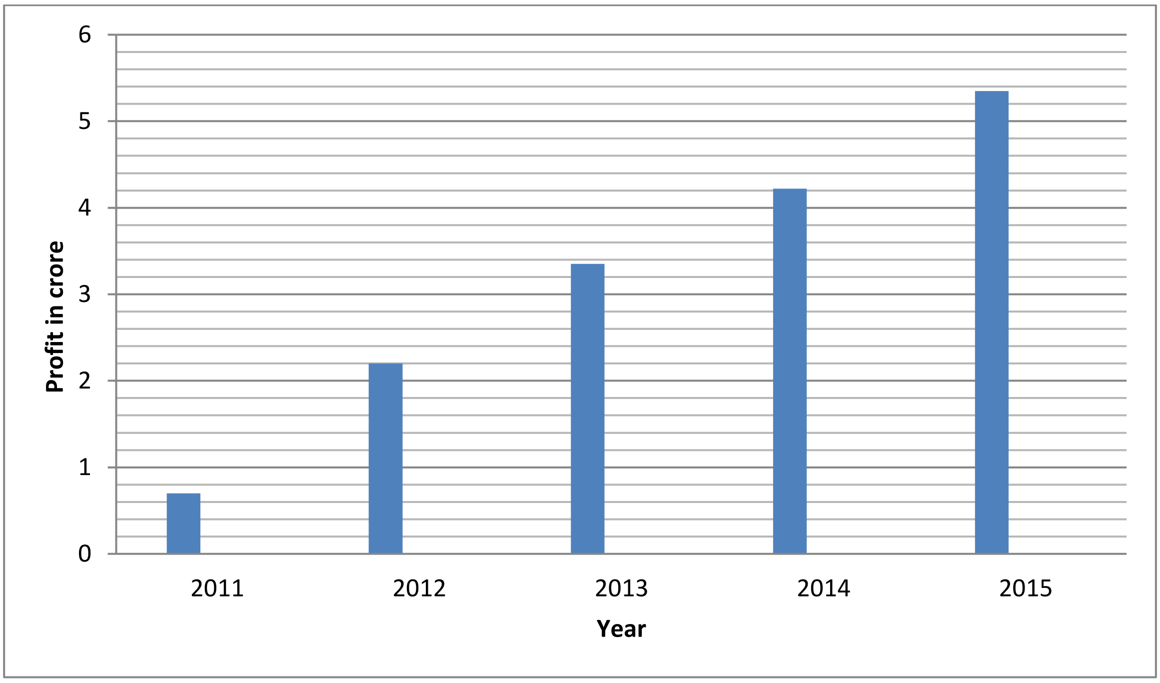


Figure 3.5: Foreign Exchange Operation of Sonali Bank Ltd Corporate Branch Dinajpur

Comment:

From above graph the Corporate Branch Dinajpur received BDT 2.10 crore as earners Foreign Exchange business in the year 2015. It was BDT 2.00 crore in 2014 which indicates the growth rate in 2015 is 5%.

3.2 DISCUSSION OF FOREIGN EXCHANGE ACTIVITIES OF SONALI BANK LIMITED

A. Basic Discussion of Foreign Exchange Activities

Foreign Exchange Department:

Foreign exchange department is international department of the bank. It deals globally. It facilitates international trade through its various modes of services. It bridges between imports and exports. If the branch is authorized dealer in foreign exchange market, it can remit foreign exchange from local country to foreign country. This department mainly deals in foreign currency. This is why this department is called foreign exchange department. The term foreign exchange has different connotations in different contexts. Sometimes it is referred to as the process of convention of one currency into another, sometimes as the process of transferring money from one country to another. In Bangladesh is has a legal a legal definition too. In terms of section 2(d) of the F.E.R. Act 1947, as adapted in Bangladesh, foreign exchange means foreign currency and includes instruments expressed in foreign exchange, all deposits, credits and balance payable in foreign currency as well foreign currency instruments such as Draft, TC, Bill of Exchange, Promissory note, and Letter of Credit payable in any foreign currency. The business of foreign exchange is getting increasingly complex and intensely competitive. However, in the backdrop of phenomenal growth of Bangladesh’s external sector, foreign exchange business provides a challenge well as an excellent opportunity to accelerate growth of bank’s own business. This is the institution that facilitates international trade payment as banking channel is the way of settlements. Besides, banks meet the other need of foreign exchange transactions of the people of the country as they are authorized to deal in foreign exchange upon receipt of permission from Central Bank under Foreign Exchange Regulation Act. All export and imports are executed through the intervention of banks. They make the way through which exporter can get payment from importer. On the other hand they make the payment for the importer done by the people of Bangladesh. Side by side, they provide funded and funded credit facility in execution of international trade.

Import Business:

Sonali Bank Ltd. Corporation Branch Dinajpur supports its customers by providing facilities throughout the import process to insure smooth running of their business. The facilities are:

- Import letter of credit
- Post import financing (LIM , LTR etc)
- Import collection services & shipping

Export Business:

Sonali Bank Ltd. Corporation Branch Dinajpur offers extra cover to its customers for the entire export process to speed up receipts of proceeds. The facilities are:

- ❖ Export letter of credit advising
- ❖ Pre-shipment export financing
- ❖ Export documents negotiation
- ❖ Letter of credit confirmation

Remittance:

Sonali Bank Ltd provides to its customers the following services:

- ❖ Inward/Outward remittance services
- ❖ TT/DD issue.
- ❖ DD/ Cheque collection.
- ❖ Endorsements
- ❖ Traveler's cheque issuance.

Correspondent Banking:

The objective of our correspondent banking operations is to strengthen our existing relationship with foreign and financial institutions around the globe as well as exploring new relationships. In addition to that, Sonali Bank Ltd provides assistance in marketing the products of the correspondent banks.

Web:

The internet has bought about a revolutionary change in the world leading to convergence of communication and computing technologies. In order to provide round the clock and up to date information on the Bank to the trade and business communities' World-Wide, the IT Team of Sonali Bank Ltd has developed a web for the fit can be accessed under the domain name: Sonali Bank Ltd.

SWIFT:

The Bank has become the member of SWIFT Alliance Access, a multi-branch secure financial messaging system provided by the Society for World-Wide Inter-bank

Financial Telecommunication [SWIFT], Belgium. With the activation of the SWIFT system the Bank enjoys instant, low-cost, speedy and reliable connectivity for L/C transaction, fund transfers, message communication and other World-Wide financial activities.

B. Foreign Exchange Operation of Sonali Bank Ltd Corporate Branch Dinajpur

Foreign exchange department deals with foreign currency and the transaction of it. The major job of this department is listed below:

1. Letter of credit (for Export & Import)
2. Foreign Remittance
3. Foreign Currency Account

1.0 Letter of Credit (for Export & Import)

Letter of credit is a guarantee or undertaking or commitment to the beneficiary/ exporter for making payment issued by the issuing bank on behalf of the importer

upon fulfillment of some conditions. As distance involved in international trade, buyers and sellers do not know each other integrity and credit worthiness. Apart from this it is also difficult to know various regulations prevailing in their respective countries regarding export & import. Thus the buyer wants to be assured of goods & sellers want to be assured of payments. Central Banks, therefore assure these things to happen simultaneously by opening letter of credit guaranteeing payments to seller and goods to buyer. By opening a letter of credit on behalf of buyer in favor of seller, commercial banks undertake to make payments to a seller subject to submission of documents drawn on in strictly compliance with letter of credit terms giving title of goods to the buyer .It is a conditional guarantee. The letter of credit thus constitutes one of the most important methods of financing foreign trade.

- ❖ Is to make a payment to or the order of a third party (the Beneficiary), or is to accept and pay bill of exchange (Draft`s) drawn by the beneficiary ,
- ❖ Authorizes another bank to effect such payment, or to accept and pay such bills of exchange.
- ❖ Authorizes another bank to negotiate, against stipulated documents (s), provided that the terms and conditions of the credit and complied with. On the

other hand letter of credit can be defined as a credit contract whereby the buyer`s bank is committed (on behalf of the buyers) to place an agreed amount of money at the seller`s disposal under some agreed conditions. Since the agreed conditions include amongst other things, the presentation of some specified documents, the letter of credit is called documentary letter of credit:

Types of Letter of Credit:

There are many types of letter of credits that are used in different countries of the world. But International Chamber of Commerce (ICC) vides their UCPDC-500, which denotes only two types letter of credit:

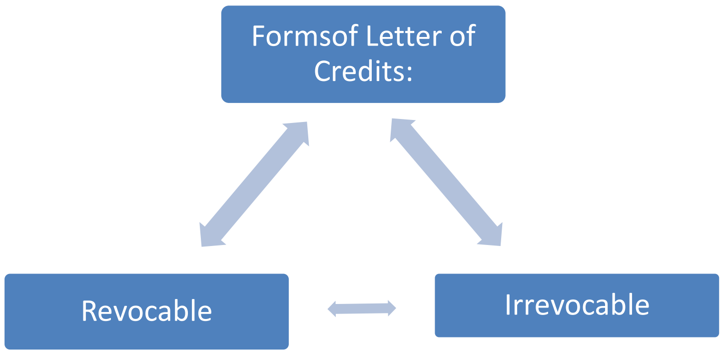


Figure 3.6: Forms of Letter of Credit

Revocable Letter of Credit:

A revocable credit may be amended or cancelled by the issuing bank at any moment and without prior notice to the beneficiary. That is to say, this type of letter of credit can be revoked or cancelled at any time without consent of, or notice to the beneficiary .In case of seller (beneficiary), revocable credit involves risk, as the credit may be amended or cancelled while the goods are in transit and before the documents are presented, or although presented before payments has been made. The seller would then face the problem of obtaining payment on the other hand revocable credit gives the buyer maximum flexibility , as it can be amended or cancelled without prior notice to the seller up to the moment of payment buy the issuing bank at which the issuing bank has made the credit available . In the modern banking the use of revocable credit is not wide spread.

Irrevocable Letter of Credit:

An irrevocable credit is a documentary credit , which cannot be revoked ,varied or changed / amended or cancelled without the consent of all parties –buyer (Applicant), seller (Beneficiary), issuing bank ,and confirming bank(in case of confirmed letter of credit). Irrevocable credit gives the seller greater assurance of payment, but he /she remains dependent on an undertaking of a foreign bank.

Liability of the issuing and Conforming Banks:

An irrevocable credit constitutes a definite undertaking of the issuing bank, provided that the stipulated documents are presented to the Nominated Bank or to the issuing Bank and that terms and conditions of the credit.

Types of L/Cs Provided by the Sonali Bank Limited:

Revolving L/C:

A revolving credit, which provides for the amount of the credit to be renewed automatically after use without the need to renew the credit every time. It can be resolved with respect to either.

- Time
- Amount (i.e. total value of the credit)

Transferable L/C:

A transferable credit is a credit, which can be transferred in whole or part by the original beneficiary to one or more second beneficiaries. It is normally used when the 1st beneficiary does not supply the goods himself, but acts as an intermediary between the supplier and the ultimate buyer.

Documentary requirement for opening L/C of Sonali Bank Ltd.

Import shall submit following documents for opening L/C

- Valid import registration certificate (commercial /industrial).
- TIN certificate.
- VAT registration certificate
- Membership certificate of a recognize Trade Association as per IPO

- A declaration that the importer has paid income tax or submitted income tax return for the preceding year.
- Performa invoice or indent duly accepted by the importer
- Insurance cover not with money paid receipt covering value good to the imported plus 10% above.
- L/C application form duly sign by importer.
- Letter of Credit Authorization Form (LCAF) Commercial or Industrial as the case may be, duly signed by the importer and incorporating. New ITC number at least 6 digits under Harmonized System as given in the Importer Trade Control Schedule 1998.

The L/C Application for:

UC Application Form is a sort of an agreement between customer and bank on the basis of which letter of credit is opened. Corporate Branch provides a printed form for opening of L/C to the importer. A special adhesive stamp of valueTk.150 is affixed on the form in accordance with Stamp Act in force .While opening, the stamp is cancelled.

Usually the importer expresses his decision to open the L/C quoting the amount of margin in percentage. Usually the importer gives the following information –

- Full name and address of the importer
- Full name and address of the beneficiary
- Availability of the credit by sight payment/acceptance /negotiation /deferred payment
- The bar within which the documents should be presented
- Sales type (CIF/FOB/C&F)
- Brief specification of commodities, price, quantity, indents no.etc.
- Country of origin
- Bangladesh Bank registration no.
- Import License/LCAF no.
- IRC no.
- Account no.
- Documents no.
- Insurance Cover Note /policy no. date, amount

- Name and address of Insurance Company
- Whether the partial shipment is allowed or not
- Whether the transshipment is allowed or not
- Last date of shipment
- Last date of negotiation
- Other terms and conditions(if any)
- Whether the confirmation of the credit is requested by the beneficiary or not.
- The L/C application must be completed / filled in properly and signed by the authorized person of the importer before it is submitted along with the following documents-

(1) Pro-forma Invoice starting description of the goods including quantity, tent price etc.
(2) The Insurance Cover Note, issuing company and the insurance number
(3) Four set of IMP Form.

Examination of L/C application:

On receipt of L/C application, the branch officials scrutinize the same very carefully giving emphasis to the following points-

- L/C application is stamped (as per Govt. Stamp Rule) as it is guarantee of payment
- All information mentioned in different columns have been furnished
- The items to be imported are eligible according to import entitlement
- If L/C is opened against indent, Bangladesh Bank's permission ,valid registration ,authority to issue indent by indenter are checked
- The terms and conditions stipulated in the L/C application are consistent with the Bangladesh Bank Foreign Exchange Guidelines, Import Trade Regulations, UCPDC etc.
- The amount and description of merchandise are relevant to LCAF and pro-forma invoice /indent / purchase order.
- Survey Report or Certificate in case of old machinery.
- Carrying vessel is not Israel or Serbia – Montenegro

Amendment of L/C:

Parties involved in a 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. Corporate Branch transmits the amendment by SWIFT, airmail or courier service to the advising bank.

But in case of irrevocable letter of credit, it can never be amended nor I without the agreement of the issuing bank, the confirming bank (if any) and the beneficiary. If the L/C is amended, amendment charge and telex charge, as per HO, are debited form the party's A/C accordingly.

Opening L/C of Sonali Bank Ltd.

The Sonali Bank Ltd. may now proceed the opening the credit on behalf of their own customers with them accept government organizations. Necessary entries to be given in the L/C opening register by allocating a L/C number and following vouchers are to be passed for completion of opening transactions at BC selling rate (spot):

(i)Creation of L/C liability

Particular	Dr.	Cr.
Customer's liability on L/C cash	xxxxx	
Banker's liability on L/C cash		xxxxx

(ii) Margin / Commission & Charges:

Particular	Dr.	Cr.
Client's Account	xxxxx	
Sundry deposit margin on L/C		xxxxx
Income A/C commission		xxxxx
Sundry deposit Document Handling Charge		xxxxx
S/D VAT (% of Commission) on L/C		xxxxx
Income A/C (Courier Charges)		xxxxx
Income A/C (Postage /Telex)		xxxxx
Income A/C (Other Charges)		xxxxx

Issuing the Letter of Credit of Sonali Bank Ltd

In this stage, Sonali Bank Ltd. fills the bank- specified -form for issuing Letter of Credit. Generally a Letter of Credit contains the following information and terms and conditions for issuing letter of credit:

- Charges;
- Country of origin of goods;
- Currency and amount

- Date and place of the expiry of the Documentary Credits;
- Description of goods and quantity ;
- Documents required for negotiation;
- Instruction for negotiating bank;
- Last date of shipment;
- Letter of Credit Authorization (LCA) number , IRC (Import Registration Certificate) number and Harmonized Systems (HS) code;
- Mode of carrying – Air /Ship/Truck;
- Name and address of beneficiary;
- Name and address of the advising bank;
- Name and address of the applicant;
- Name of the issuing Bank and Branch;
- Negotiating bank preferably freely negotiable in any bank;
- Number of Letter of Credit and date of opening;
- Payment Term- Sight /Usance ;
- Period of Negotiation;
- Period of presentation;
- Port of Loading and port of Discharge;
- Reimbursing Bank and payment mode;
- Terms and conditions regarding Transshipment and Partial Shipment;

Steps of letter of credit:

The various steps involved in the operation of a letter of credit are described as follows.

1. The importer and exporter have made a contract before a L/C has been issued.
2. The importer applies for a L/C from his banker known as the issuing bank. He may have to use his credit lines.
3. The issuing bank opens the L/C that is channeled through its overseas corresponding bank, known as the advising bank.
4. The advising bank informs the exporter (beneficiary) of the arrival of the L/C.
5. Exporter ships the goods to the importer or other designated place as stipulated in the L/C.

6. Meanwhile, the exporter also prepares his own documents & collects transport documents or other documents from relevant parties. All these documents will be sent to his banker, which is acting as the negotiating bank.
7. Negotiation of export bills happens when the banker agrees to provide him with finance. In such case, he obtains payment immediately upon presentation of documents. If not, the documents will be sent to the issuing bank for payment or on an approval basis as in the next step.
8. Documents are sent to the issuing bank for reimbursement or payment.
9. Issuing bank honors it's undertaking to pay the negotiating bank on condition that the documents comply with the L/C terms and conditions.
10. Issuing bank releases documents to the importer when the letter makes payment to the former or against the letter's trust receipt facility.
11. The importer takes delivery of goods upon presentation of the transport (usually shipping) documents.

Presentation & examination of shipping document

The seller being satisfied with the terms and the conditions of the credit proceeds to dispatch the required goods to the buyer and after that, has to present the documents evidencing dispatching of goods to the Negotiating Bank on or before the stipulated expiry date of the credit. After receiving all the documents, the Negotiating Bank then checks the documents against the credit .If the documents are found in order, the bank will pay, accept or negotiate the documents and will dispatch to New Market Branch, The branch, checks the documents. The usual documents are 30

- Invoice
- Bill of Leading
- Certificate of Origin
- Packing List
- Shipping Advice
- Non-negotiable Copy of Bill of Lading
- Bill of Exchange
- Pre-shipment Inspection Report
- Shipment Certificate

Corporate Branch officials check whether these documents have any discrepancy or not. Here discrepancy means the dissimilarity of any of the documents with the terms and conditions of L/C. In case of discrepant documents, the branch advices the discrepancy/ discrepancies to the negotiating bank within (05) working days after documents. Some the usual discrepancies are –

- L/C expired
- Late shipment
- Amount drawn in excess of the letter of credit
- Bill of exchange not property drawn
- Description of goods differ
- Interest clause is missing in bill of exchange ,where stipulated
- Bill of exchange is not drawn /signed by the beneficiary of the credit
- Bill of Lading or Airway Bill stale or Bill of Lading is issued under a charter party
- Insurance cover not as per terms of L/C and insurance does not cover the entire voyage and insurance policy is not properly stamped.

Parties Involved in Letter of Credit (L/C):

- **The Applicant:**

The applicant is the party who approaches a bank in order to issue the L/C. Generally, the applicant is an importer who reaches an agreement with the exporter before approaching the bank to issue the L/C. The applicant is also normally obligated to reimburse the issuing bank for any payments made under the L/C.

- **The Issuing Bank:**

The bank issuing the L/C is known, as the issuing bank and it is usually the bank with which the importer maintains an account. The issuing bank undertakes an absolute obligation to pay upon presentation of documents drawn in strict conformity with the terms and conditions of the L/C.

- **The Advising Bank:**

The correspondent bank in the beneficiary’s country to which the issuing bank sends the L/C is commonly referred to as the advising bank. The advising bank simply advises the L/C without any obligation on its part. However, the advising bank shall take reasonable care to check the apparent authenticity of the credit that it advises.

- **The Beneficiary:**

The beneficiary or exporter is the party entitled to draw payment under the L/C. The beneficiary will have to present the required documents to avail payment under the L/C.

- **The Confirming Bank:**

The confirming bank confirms that the issuing bank has issued a L/C. The confirming bank becomes directly obligated on the credit to the extent of its confirmation and by confirming, it acquires the rights and obligations of an issuer. The advising bank usually does L/C confirmation or a third bank in the beneficiary's located.

- **The Negotiating Bank :**

The bank that agrees to examine the documents under the L/C and pay the beneficiary is called the negotiating bank. Typically, the advising bank is nominated as the negotiating bank.

- **Reimbursing Bank:**

The bank nominated by the issuing bank to provide reimbursement to the negotiating bank or the payee bank is referred to as the reimbursing bank.

2. Foreign Remittance:

Foreign Demand Draft and receiving any bill from foreign country is known as foreign remittance. The amount of foreign remittance is very significant in Sonali Bank Ltd. Corporate Branch Dinajpur.

3. Foreign Currency Account:

A Foreigner, a Wage Earner working in foreign country can open this account, but it is possible to open a foreign currency (Dollar) account in Sonali Bank Ltd Corporate Branch Dinajpur. The account holder gets a cheque book against the account and has to mention the amount in respective currency.

C. Functions of Foreign Exchange Department:

Foreign Exchange Department performs many functions to facilitate the foreign exchange transactions. These are:

- Facilitating Import Trade
- Facilitating Export Trade
- Providing Funded and Non-funded Credit Facility.
- Provide Non Commercial Remittance
- Maintaining Foreign Currency Accounts
- Selling of Foreign Currency Bond
- Preparation and Submission of Statements

The above mentioned functions are done by three sections namely:

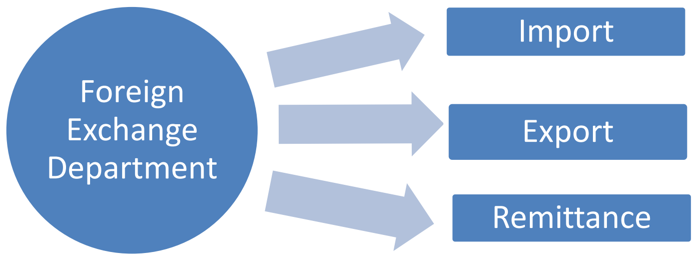


Figure 3.7: Function of Foreign Exchange Department

Import Section:

Import is the flow of goods and services purchased by economic agent staying in the country from economic agent staying abroad .We can simplify Import as a means purchase of goods and services from the foreign countries into Bangladesh. Normally consumers, firms and Government of Bangladesh import foreign goods to meet their various necessities. Import section helps business and other people to import goods. In international environment, buyer and sellers are most of the cases unknown to each other. So seller always seeks guarantee for the payment for his goods exported. Here is the role of bank. Bank gives export guarantee that it will pay for the goods on behalf of the buyer. This guarantee is called letter of credit .Thus the contract between import and exporter is given a legal shape by the banker by its letter of credit. When a buyer goes to import some goods from a foreign buyer, he request his bank makes payments to the exporter of goods. And the bank recovers the amount from the importer.

1. Methods of Importing:

There exist a number of procedures of importing goods from the foreign country. Goods may be directly imported from the foreign manufactures or they may be imported through the selling agents of the foreign producers. Whoever does the function there are some stages of importing, which are as follows:

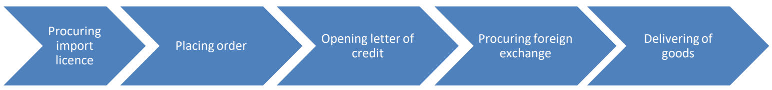


Figure 3.8: Methods of Importing

2. Import Regulations followed by the bank

As per Import & Export control Act 1950, no person can indent, import or export any goods in Bangladesh except in case of exemption issued by the government of the peoples of Bangladesh. According to Import & Export Control Act, 1950, to be an importer the person should obtain the Import Registration Certificate (IRC) from the office of Chief Controller of Import and Export. Goods from Israel or goods originated from these countries are not importable. Import of goods into Bangladesh is not permissible on the flag vessel of Taiwan and Israel.

3. Import Registration Certificate (IRC)

The first thing one need to carry on a business of import is called import registration certificate. But registration is not required for import goods, which do not involved remittance of foreign exchange like medicine; reading materials etc. can be imported without registration by the users within monetary limit. Documents to be required for import registration certificate procedure are as follows –

- Income Registration Certificate
- Nationality Certificate
- Certificate from Chambers of Commerce and Industry Registered Trade Association
- Bank Solvency Certificate
- Copy of Trade License
- Requisite fees

On receiving application, the respective CCI & E officer will scrutinize the documents and conduct physical verification and issue demand note to the prospective importers to furnish the following papers through their nominated Bank-

- Original copy of treasury deposited as IRC fees
- Assets Certificate
- Affidavit from 1st class Magistrate
- Rent receipt
- Two passport size photograph
- Partnership deed in case of partnership firms
- Certificate of Registration, Memorandum and Articles of Association in case of Limited Company.

After scrutinizing and verifying, the nominated Bank will forward the same to the respective CCI & E office with forwarding schedule in duplicate through Banks representative. CCI& E then issue Import Registration Certificate to the Applicant.

4. Functions of Import section

1. IMP form:

The form IMP contains the followings –

- Name and address of the Authorized dealers.
- Amount of remittance to be permitted (i.e. L/C amount)
- LCA form no. Date and value in Taka.
- Description of goods.

- ❖ Invoice value in foreign currency , (i.e. L/C amount)
- ❖ Country of origin.
- ❖ Port of shipment.
- ❖ Name of steamer / Airline (i.e. By road / ship/ air)
- ❖ Port of importation.
- ❖ Indenter's registration number with CCI & E and Bangladesh Bank.
- ❖ Full name and address of the applicant.
- ❖ Registration number of the applicant with CCI & E.
- ❖ Type of LCAF.

2. Import Procedures:

Procedures, which are followed at the time of Import, are as following:

- ❖ The buyer and the seller conclude a sale contract provided for payment by documentary credit.
- ❖ The buyer instructs his bank (the issuing bank) to issue a credit in favor of the Seller / Exporter/ Beneficiary.
- ❖ The issuing Bank then send messages to another Bank (Advising Bank/ Confirming Bank), usually situated in the country of seller, advice or confirms the Credit Issue.
- ❖ The advising / confirming Bank then informs the seller through his Bank that the Credit has been issued.
- ❖ As soon as the seller receives the credit satisfies him the he can reply that, he can meet its terms and conditions, he is in positions to load the goods and dispatch them.
- ❖ The seller then sends the documents evidencing the shipment to the Bank where the Credit is available (Nominated Bank). This can be Issuing Banker Confirming Bank; Bank named in the credit as the paying, accepting and Negotiating Bank.
- ❖ The Bank then checks the documents against the credit. If the documents meet the requirements of the credit, The Bank then pay, accept or negotiate according to the terms of credit. In the case of credit available by negotiation, Issuing Bank will negotiate with recourse.

- The Bank, if other than the issuing bank, sends the documents to the issuing Bank.
- The issuing bank checks the documents and if they found that the document has met the credit requirements, they realize to the buyer upon payment of the amount due or other terms agreed between him and issuing bank.
- The buyer sends transport documents to the carrier who will then proceed to deliver goods.

An importer is required to have the followings to import through the bank

- A bank account in the bank.
- Import Registration Certificate.
- Taxpaying identification number.
- Performa invoice indent.
- One set of IMP form.
- Insurance cover note with money receipts.

5. Post- Import financing:

If there is no available in cash in importer's hand, he can request the bank to grant loan against the documents for the purpose pest import finance. This one is following forms of post import financing available in Sonali Bank Corporate Branch Dinajpur.

6. LTR (Loan against Trust Receipt)

On the arrival of goods and lodgment of import documents, import may request the bank for clearance of goods from the port (custom) and keep the same to bank go down. Proper sanction from the competent authority is to be obtained before clearance of consignment for giving these types of loan, officer makes lean proposal and sends it to H/O for approval. After getting approval from H/O, bank grants loan in the form of LTR -

1.Advance against a trust receipt obtain from the customers are allowed to only first class tasted parties when the documents covering an import shipment or other goods pledged to the bank as security are given without payment . However, for such advances prior permission / sanction from Head Office must be obtained.

1. The customer holds the goods or their sale – proceeds in trust for the Bank, till such time, the loan allowed against the Trust Receipts is fully paid off .

2. The Trust Receipts is a document that creates the Banker's lien on the goods and practically amounts to hypothecation of the proceeds of sale in discharge of the lien.

Export Section

The goods and services sold by Bangladesh to foreign households, businessmen and Government are called export .The export trade of our country is regulated by the imports and exports (control) Act, 1950. There are a number of formalities, which an exporter has to fulfill before and after shipment of goods. The exports from Bangladesh are subject to export trade control exercised by the Ministry Of Commerce through Chief Controller of Imports and Exports (CCI& E). No exporter is allowed to export any commodity permissible for export from Bangladesh unless he is registered with CCI & E and holds valid Export Registration Certificate (ERC). The ERC is required to be renewed every year. The ERC number is to be incorporated on EXP forms and other documents connected with export.

Types of Exports:

Exports must be done as under:

1. Export against L/C of firm contract.
2. Exports against advance payment.
3. Export under consignment basis

1. Export operation of Sonali Bank Ltd

Bangladesh exports a large quantity of goods and services to foreign households. Readymade textile garments (both knitted and woven), jute, jute –made product, frozen shrimps, tae are the main goods that Bangladeshi exporters exports to foreign countries. Garments sector is the largest sector of our country. Bangladesh exports most of its readymade garments products to U.S.A and European Community (EC) countries. Bangladesh exports about 40% of its readymade garments products to U.S.A. Most of the exporters who export through Sonali Bank are readymade garments exporters. They open exports L/Cs to export their goods, which they open against the import L/Cs opened their foreign exporters

2. Legal Requirements of Sonali Bank Ltd. into the Export

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

- The intended exporter shall have valid Export Registration Certificate.
- Payment for goods exported from Bangladesh should be received through the branch in freely convertible foreign currency or in Taka from a non -resident Taka account of a bank branch or correspondent abroad.
- Commission, brokerage and other trade charges are admissible only up to a maximum of 5% of the value of goods. The charges beyond 5% may be admissible subject to prior approval of the Bangladesh Bank.
- In order to avoid any loss of foreign exchange to rte country, the branch should see that.
- Arrangement have been made for realization of export proceeds within prescribed period of 4(four) months.
- Arrangement has been made for receipts of title to goods like bill of landing airway Bill etc. by the branch on shipment of goods.
- The Export form is signed either by the exporter or one holding valid legal power of attorney from exporter and terms of the power of attorney are such that both the exporter and the attorney may be held responsible jointly and severally for realization of export proceeds.
- In respect of export of goods by land route or by see, the bill of landing, Railway receipts and other documents of title to cargo should be drawn only to the order of Sonali Bank Limited.
- In respect of export of goods by air, the airway bills and any other documents of title of cargo should be drawn to the order of Sonali Bank Ltd. In the country of important nominated by the branch.

Export procedure:

The import and export trade in our country are regulated by the import and export (Control) Act. 1950

Under the export policy of Bangladesh the exporter has to get valid export registration certificate (ERC) from chief controller of import & export (CCI & E). The ERC is required to renew every year. The ERC number is to incorporate on EXP forms and other papers connected with exports.

Export L/C:

There are a number of formalities, which an exporter has to fulfill before and after shipment of goods. These formalities or procedures are enumerated as follows:-

- Obtaining Export Registration Certificate (ERC)
- Obtaining EXP
- Signing of the contract
- Receiving the Letter of credit
- Procuring the materials
- Shipment of goods
- Presentation of export documents for negotiation
- Examination of Documents
- Negotiation of export documents

6. Settlement of local bills:

Sonali Bank Ltd Corporate Branch only purchase the local bill is known as Inland Documentary Bill for Purchase (IDBP). The Inland Documentary Bills for Purchase (IDBP) is done in the following ways-

- Sonali Bank Ltd gets L/C from other Bank.
- Then Sonali Bank Ltd officer advising the L/C to the party / Beneficiary.
- Customers then present the documents for negotiation to Sonali bank Ltd.
- Sonali Bank Ltd official scrutinizes the documents to insure the conformity with the terms and conditions with L/C.
- The documents are then forwarded to the L/C opening bank.
- The L/C issuing bank gives the acceptance and forwards an acceptance letter.

- In the acceptance letter there is a maturity date when the will payment the bill.
- After receiving the acceptance letter, payment is given to the customer on by purchasing the bill of acceptance.

7. Mode of payment of Export bill under L/C

As per UCP 600, 2007 revision there are four types of credit. These are as follows:

- Sight payment
- Deferred payment
- By acceptance
- Negotiation

8. Export financing:

Financing exports constitutes an important part of a bank's activities. Exporters require financial services at four different stages of their export operation. During each of these phases exporters need different types of financial assistance depending on the nature of the export contract. Sonali Bank Ltd. Play a vital role in performing such jobs and help the businessmen's to carry on their business operation the activities are:-

i. Pre-shipment credit
ii. Post – shipment credit

i. Pre- shipment credit:

Pre- shipment credit, as the name suggests, is given to finance the activities of an exporter prior to the actual shipment of the goods for export. The purpose of such credit is to meet working capital needs starting from the point of purchasing of raw materials to final shipment of goods for export to foreign country. Before allowing such credit to the exporters the bank takes into consideration about the credit worthiness, export performance of the exporters, together with all other necessary information required for sanctioning the credit in accordance with the existing rules and regulations. Pre- shipment credit is given for the following purposes:

- Cash for local procurement and meeting related expenses.
- Procuring and processing of goods for export.
- Packing and transporting of goods for export

- Payment of insurance premium, Inspection fees.
- Freight charges etc.

An exporter can obtain credit facilities against lien on the irrevocable, confirmed and unrestricted export letter of credit in form of the followings:

- Packing credit
- Export cash credit (Hypothecation
- Export cash credit (Pledge)
- Export cash credit against trust receipt
- Back to back letter of credit
- Credit against Red – Clause letter of credit

ii. Post –Shipment Credit

This type of credit refers to the credit facilities extended to the exporters by the banks after shipment of the goods against export documents. Necessity for such credit arises, as the exporter cannot afford to wait for a long time for without paying manufacturers/ suppliers. Before extending such credit, it is necessary on the part of to look into carefully the financial soundness of exporters and buyers as well as relevant documents connected with the export in accordance with the rules and regulations in force. Banks in our country extend post – shipment credit to the exporters through:

- Negotiation of documents under L/C
- Foreign Documentary Bill purchase (FDBP)
- Advances against Export Bills surrendered for collection

9. Export document checking

- General verification:
    1. L/C restricted or not.
    2. Exporter submitted documents before expiry date of the credit.
    3. Shortage of documents etc.
- **Particular verification :**
    1. Each and every document should be verified with the L/C.

- **Cross verification:**
    i. Verified one documents to another.
- After proper examination or checking of a described Export documents bank may find following discrepancies :
- Late shipment
- Late presentation
- L/C expired
- L/C over – drawn
- Partial shipment or transshipment beyond L/C terms.

10. Bill of Exchange (B/E):

- Amount of B/E differ with invoice.
- Not drawn on L/C issuing Bank.
- Not signed.
- Tenor of B/E not identical with L/C.
- Full set not submitted. Not issued by the Beneficiary.

11. Commercial Invoice (C/I):

- Not signed by the Beneficiary.
- Not made out in the name of the applicant.
- Description, price, quantity, sales terms of the goods not corresponds to the credit.
- Not marked one fold as original.
- Slipping Mark differs with B/L & Packing List.

12. Issuance, Certification and Disposal of Export Forms

The Export Forms are in quadruplicate. The branch to their exporter clients will supply these forms. In all cases the forms will be completed and signed by the exporter on this authorized attorney. After receipts of the EXP forms from the exporters for certification purpose, the branch will see and ensure that each set of the forms is duty filled in.

Therefore, they will record full particulars for the forms in the export register (MBGx-11) an assign a number for each set of the EXP forms in the 5 boxes between AD's code number and year. The branch will also have to complete the forms themselves by monitoring all the required information and code number and certify the forms in the manner prescribed therein under seal land signature of the authorized official.

After the branch certifies he forms these should be submitted to the customs authorities after filling in the portion relating to them and affixing therein their seal and signature will return the duplicate, triplicate and the quadruplicate copies to the exporter /his agent. The customer's authority will forward the original cop to the Bangladesh Bank. The exporter must submit all the remaining copies of the EXP form and the shipping documents to the branch in time to enable the branch to submit the certified duplicate copy of the EXP forms of the foreign exchange policy department, Bangladesh Bank within 14 days from the date shipment of the goods.

The branch on receipt of export proceeds from abroad shall certify on the reverse of the triplicate copy of the form retained with them and forward it to the Bangladesh Bank with the usual monthly return. The branch for record will retain the quadruplicate copy.

13. Negotiation Discounting of Export Bills (Local)

The branch may negotiate/ discount of export bills received by them from local supplies-cum-exporters against inland BTB/Cs or inland L/C having tenor at sight. Upon received of the documents the branch shall examine the documents with the L/Cs. If the documents appear on their face not to be in compliance with the terms and conditions of the credit, the beneficiary may be advised to rectify the discrepancies and /or the branch may send the documents on collection basis with the permission of the exporter. Purchase/ collection register assigning a number to each bill. The branch shall mail export bills under a forwarding schedule enclosing all documents as per documentary credit incorporating appropriate payment instructions for payment / acceptance of issuing bank. Upon receipt of the acceptance and maturity from the concerned issuing / drawing bank, the bill may be purchased / discounting would be prepared as per banks format under the signature of an authorized official and should be placed to the manager for disposal instruction / sanction .The branch then, make payment to the party by passing the voucher as per calculation shown in the discounting proposal at usance buying rate as per respective tenure of the usance bills. The branch shall remind the drawee bank to make payment of the bill on maturity and follow up to be continued till realization of the bill. Overdue interest @ 16% p.a. is to be recovered from the drawee bank or from the exporter if the bill is realized after maturity date.

14. Advising Export L/C of Sonali Bank Limited.

International transfer of goods from Bangladesh is made through the media of L/C issued by the foreign bank at the request of importers in favor of exporters in Bangladesh. Such exports L/Cs are en-routed through the banks who have correspondent relationship with the former. The foreign correspondent (i.e. issuing bank) may advise the L/Cs in the following manner:

- By shot telex followed by Airmail or
- By full text telex or
- By Airmail

The branch shall take reasonable care to check the apparent authenticity of the L/Cs, which, it advises. If the apparent authenticity cannot be established it must inform it to the issuing bank without delay. If the branch elects not to advice the L/Cs, it must so inform the issuing bank.

Foreign Remittance Section

Sonali Bank Limited provides to its customers the following remittance services:

Foreign remittance is the transfer of foreign currency from one country to another country. Actually, foreign remittance is purchase and sale of freely convertible foreign currencies as permissible under exchange control regulations of the country. Foreign remittance is very important for the country as valuable foreign exchange is involved in transfer mechanism.

1. Types of Remittance:

There are two types of foreign remittance

1) Foreign Inward Remittance
2) Foreign Outward Remittance

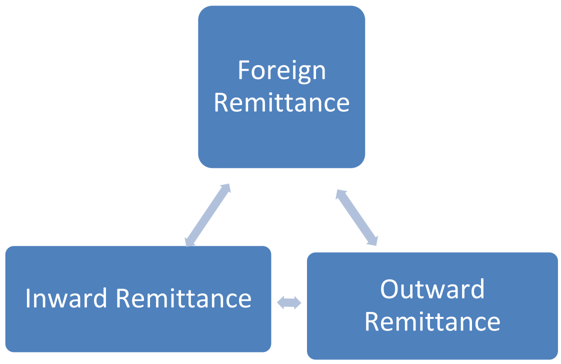


Figure 3.9: Types of Remittance

1) Foreign Inward Remittance

Remittance comes from foreign countries to our country is called inward remittance. To the bankers or Authorized Dealers inward remittance means purchase of foreign currency by authorized dealers. Generally, inward remittances are received by draft, mail transfer, TT, purchase of foreign bills & traveler's cheque, export bills; basically, these are the formal channels of receiving inward remittance. A local bank also receives indenting commission of local firm also comes under purview of inward remittance.

A. Mode of Inward Remittance (Also Outward Remittance):

The following are the mode of Inward / Outward Remittance.

i) TT = Telegraphic Transfer.
ii) MT = Mail Transfer.
iii) FD = Foreign Drafts.
iv) PO = Payment Order.
v) TC = Traveler's Cheque.
vi) EFT = Electronic Fund Transfer.

B. Sources of Inward Remittance:

- Expatriate Bangladeshis.
- Exporters.

- Visitors.

C. Collection procedure Inward Remittance:

- To make entry in Foreign Bills Collection Register.
- To prepare forwarding schedule in Quadruplicate.
- To prepare vouchers on realization of proceeds payment Procedure.
- To check up the custom declaration.
- To consult purchase agreement.
- To obtain the signature of TC and to verify the same with the previous signature to the beneficiary on the TC.
- To make entry register for TC and Drafts purchased.
- To prepare vouchers and FET schedule
- Lastly send for collection.

D. Cancellation of Inward Remittance:

In the event of any inward remittance which has already been reported to the Bangladesh Bank, being subsequently cancelled, either in full or part, because of non-availability of beneficiary authorized dealer must report the cancellation of inward remittance as an outward remittance of from T/M required document are-

- The date of return in which the inward remittance was reported.
- The name and address of the beneficiary.
- The amount of the purchase as effected
- Reasons for cancellation

E. Purpose of foreign Inward Remittance:

In short, remittances are being sent from abroad for the following purposes:-

- Family maintenance
- Indenting Commission
- Recruiting Agents Commission
- Realization of Exports Proceeds
- Donation
- Gift
- Export broker’s Commission etc

2) Foreign Outward Remittance

Remittance for our country to foreign countries is called outward foreign remittance. Sales of foreign currency by the authorized dealer or formal channels may be addressed as outward remittance. The authorized dealers must utmost caution to ensure that foreign currencies remitted or released by them are used only for the purposes for which they are released. Outward remittance may be made by appropriate method to the country to which remittance is authorized. Most outward remittance is approved by the authorized dealer on behalf of Bangladesh Bank.

Purpose of Foreign Outward Remittance:

- To settle Import Payment.
- To meet Travel Expenses / Medical Expenses / Educational Expenses etc.

Outward remittance in favor of beneficiaries outside Bangladesh may be made in any of the following manners:-

Formal Channel:

Fund transfer from one country to another country through official channels, i.e. banking channel, post office, and other private service channels, such as- Western money order, Nano money order etc.

Informal Channel:

Fund transfer from one country to another country through hand by hand or over telephone in an unofficial channel like as – Handy.

1. Remittance collected by informal Handy rings operating in Middle East countries and UK are also used to finance illegal trade and transactions.

2. The Process of Remittance Management System:

Remittance Management System is customized process of Sonali Bank Limited. This is totally bank's own system where foreign remittance were processed. Basically bank collects the remittance from the 41 exchange houses of different foreign countries. They exchange house collect money from the customers and then send information about the customers to the bank. There are two processes for sending the information to the bank.

1. EFT(Electronic Fund Transfer)
2. SWIFT(Society for World-Wide Interbank Fund Telecommunication)

After receiving this data bank process this data with the help of customized software which is prepared for process this data. This software is called Remittance Management System (RMS) software. Some high quality, energetic, It specialist and dynamic young group are engage to ensure the faster and swift service to the customers.

The exchange house collect information from the customer's regarding their –

- PON (Payment Order No) No
- Date
- Beneficiary Name
- Account
- Amount
- Remitter Name
- Beneficiary Branch Name etc.

The bank has installed RMS at Wage Earner's Corporate Branch (WECB), Dinajpur. The incoming remittances are downloaded and processed at WECB using RMS.

RMS captures various structured remittances from various exchange company and converts it into a unique structure and imposes a security. After capturing the remittances RMS receives an administrative password, a part-1 test key holder password, a part-2 test key holder password and two signatures activation password daily. In RMS there are 20 (Twenty) parameterized signature. We can change the signatory dynamically for every amount. Then we accumulate the TRA data of various exchange company and impose three types of security and validate using RMS Data Center for live outlets. The RMS module of outlets receives incoming remittance data packet & validate it. After validation the TRA prints automatically with two signatures and a test number. An authorized signatory of outlets sign on TRA as third signature and distribute it. The TRA of distance location is distributed over phone initially and put seal on TRA as 'credit over phone''.

The out let collect the credit date of TRA from branches and sends a feedback file to WECB. This feedback is used for Reconciliation and overseas exchange company / Bank.

3. Features of Remittance Management System for Middle East Remittance

- Credit beneficiary Account within 8- 24 Hours.
- Auto TRA issue.
- Auto Test Number for any amount (Parameterized)
- Auto Signature (Parameterized)
- Highly secured data transmission
- Auto Feed Back
- Data Ready for Reconciliation
- Unique platform for all exchange company
- Consolidated Data packet for all overseas exchange/Bank
- Missing Data packet traceable by outlet software
- Single copy instrument print
- Additional instrument copy prints with " Care Duplicate"
- Generate all type of required statement
- 100% parameterized Software
- Only local TRA print at WECB (Wage Earner`s Corp Br)

4. Approval of Bangladesh Bank

Bangladesh is in a scarcity of foreign exchange and foreign exchange business is restricted and controlled by the central Bank of the country. For this reason Bangladesh Bank`s prior permission is required for any remittance to be made to outside the country. Bangladesh Bank provides permission /Approval for outward remittance to the applicants who are lodge an application for the purpose on the following prescribed forms with an Authorized dealer who forwarded the same to Bangladesh Bank for approval.

2. Main flow of foreign Remittance

- Saudi Arabia
- UAE
- Kuwait
- Qatar
- Oman
- Iraq
- Libya
- Bahrain
- Iran
- Malaysia
- South Korea
- Singapore
- Hong Kong
- Brunei

These are some of major countries of destination. Saudi Arabia alone accounts for nearly one half of the total number of workers who migrated from Bangladesh. Labor market of Bangladeshi workers is not static. During the 1970s Saudi Arabia, Iraq, Iran and Libya were some of major destination countries. While the position of Saudi Arabia remains at the top, Malaysia and UAE became important receivers. In mid 1990s, Malaysia became the largest employer of Bangladeshi workers. However, since the financial crisis of 1997, Bangladeshis migrating to Malaysia dropped drastically now UAE has taken over its place. Over the past 25 years labor migration from Bangladesh has registered a steady increase. From 1990 onwards on an average 3,25,000 Bangladeshis are migrating on short- term employment, mostly to 13 countries. In the past the bulk of the migrants considered of professional and skilled labor. However, the recent trend is more towards semi- and unskilled labor migration. Due to increase in the flow of unskilled and semi- skilled labor, remittance is increasing at a much lower rate than the labor flow. Remittance is crucial for Bangladesh`s economy. It constitutes almost one third of the foreign exchange Earning. About 25 percent of remittance senders were students when they went abroad and another 25 percent were living off their own land. A large segment of them were working as construction laborers overseas, another group worked as agricultural laborers. UAE, Saudi Arabia and Singapore constituted the most of important destinations of these migrants.

One survey comments that if the migrant workers total income abroad and the present family income from other sources is combined and then compared with the pre-migration family income, it registers an increase in total income by 119 percent. On an average, the interviewee households annually received about TK 72,800 as remittance. This means that a typical migrant remits 55.56 percent of this income. Remittance constitutes 51.12% of the total income of these families. Transfer of remittance takes place through different methods. 46% of the total volume of remittance has been channeled through official sources, around 40% through Hindi, 4.61% through friends and relatives, and about 8 percent of the total was hand carried by migrant workers themselves when they visited.

6. List of different exchange company:

Table 3.2

SL No.	Name of Exchange Company	Day Book	A/C No.
1	A. Aziz A. Al-Zamil Co. K.S.A	72	33030012
2	Al Amoudi Ex .Co. K.S.A	63	33027066
3	Al Ansari Exchange, U.A.E	62	33025342
4	Al Mulla International Ex. Co, Kuwait	58	33024955
5	Al Muzaini Exchange Co, Kuwait	47	33016498
6	Al Omary Est. K.S.A (Closed)	56	33024732
7	Al Moosa Exchange Company. W.L.L, Kuwait	69	33028683
8	**Alrajhi Bank Riyadh, K.S.A**	30	A-693
9	Alrajhi Commercial Foreign Ex. Co, Jeddah, K.S.A	49	33017587
10	Al Rostamani Ex. Co. UAE	52	33020855
11	Arab National Bank, K.S.A	65	33028873
12	Bahrain Exchange Company, Kuwait	33	B-110
13	Bahrain Financing Co. Bahrain	32	B-109
14	Bank Al Bilad, K.S.A	64	33028808
15	City Bank NA, U.S.A	59	33028872
16	City International Exchange, Kuwait	19	C-25
17	Commercial Bank of Oman/Bank Muscat, Oman	23	C-26
18	Dalil Exchange Co. Bahrain	55	33023214
19	Daulat Enterprise, Canada	61	33025813
20	Dollarco Ex. Co. Ltd. Kuwait	36	D-103
21	Eastern Exchange Establishment, Qatar	11	E-13
22	Eastern Union Remittance & Exchange Ltd, UK	67	33029475
23	Gulf overseas Exchange Co. Oman	26	G-49
24	Habib exchange Co.UAE	53	3302268
25	Indian Bank, Singapore	66	33029293
26	Injaz Money Exchange, K.S.A (Closed)	60	33025846
27	Kuwait Bahrain International Ex. Co, Kuwait	27	K-121

28	Kuwait Overseas Ex. Co (Closed), Kuwait	45	33012803
29	Lari Exchange Establishment UAE	71	33029252
30	Mashreq Bank, UAE	13	B-16
31	National Bank of Oman, Oman	17	N-99
32	National Money Exchange, Kuwait	46	33016176
33	Oman & UAE Exchange centre, Oman	70	33029632
34	Oman Exchange Co. Kuwait	10	O-6
35	Oman International Exchange, Oman	22	O-11
36	Redha Al Ansari Exchange	73	33031919
37	Trust Exchange Company W.L.L, Doha, Qatar	68	33029244
38	UAE Exchange company, Kuwait	57	33024897
39	UAE Exchange Company, UAE	50	33017975
40	Wall Street Exchange, Dubai, UAE	41	33011326
41	Zenj Exchange, Bahrain	42	33012828

7. Country wise Comparative Statement of foreign Remittance

Month	Jan-13	Jan-14	Feb-13	Feb-14	March-13	March-14	Apr-13	Apr-14
Country	**No. of Remittance**							
Saudi Arabia	18390	22640	19734	25314	23989	28734	21344	31418
Kuwait	1229	1288	1305	1142	1317	1096	1135	1325
Qatar	8	10	13	10	9	9	11	9
U.A.E	293	392	223	404	225	457	245	504
Oman	40	37	28	36	52	42	35	39
Bahrain	184	103	151	96	170	120	135	145
U.K	15990	8570	13378	8431	12948	8771	11157	8870
U.S.A	14378	12560	13236	12272	15843	14743	15455	15582
Japan	47	39	49	52	48	48	56	68
Singapore	4	-		-		-	10	-
Germany	133	139	171	130	185	162	169	187
Malaysia	626	293	468	355	557	367	394	417
Other	334	357	301	320	326	381	367	499
Total	**51656**	**46428**	**24**	**48562**	**55669**	**54930**	**50513**	**59061**

8. List of Different Exchange Company Under Remittance Management System

Table 3.3

SL.	Name of Exchange Company	Day Book	A/C No.
4	Al Mulla International Ex. Co, Kuwait	58	33024955
8	Alrajhi Bank Riyadh, K.S.A	30	A-693
11	Arab National Bank, K.S.A	65	33208873
14	Bank Al Bilad, K.S.A	64	33028808
16	City International Exchange, Kuwait	19	C-25
23	Gulf Overseas Exchange Co, Oman	26	G-49
34	Oman Exchange Company, Kuwait	10	O-6
35	Oman International Exchange, Oman	22	O-11

9. Contribution of Remittance to the National Economy

Labour migration plays a vital role in the economy of Bangladesh. Bangladesh has a very narrow export base. Readymade garments, frozen fish, jute leather and tea are the five groups of items that account for-fifths of its export earnings. Currently, garments manufacturing is treated as the highest foreign exchange earning sector of the country (US$4.583 billion in 2003). However, if the cost of import of raw material is adjusted, then the net earnings from migrant workers' remittances is higher than that the garments sector. In 2003, net export earnings from RMG should be between US$2.29-2.52 billion, whereas the earning from remittance is net US$3.063 billion. In fact, since the 1980s, contrary to the popular belief, remittance sent by the migrants played a much greater role in sustaining the economy of Bangladesh than the garments sector.8 For the last two decades, remittance have been at level of around 35% of export earnings, making at the single largest source of foreign currency earner for the country. This has been used in financing the import of capital goods and raw materials for industrials development. In the year 1998-99, 22 percent of the official bill was financed by remittance (Afsar, 2000; Murshad, 2000 and khan, 2003). The steady flow of remittance has resolved the foreign exchange constraints, improved the balance of payments, and helped increase the supply of national savings (Quibria 1986). Remittance also constituted a very important source of the countries development budget. In certain years in the 1990s remittances, contribution rose to more than 50 percent of the country`s development budget. Government of Bangladesh treats Foreign aid (concessional loan and grants) as an important resource base of the country. However, remittances that Bangladesh received last year was twice that of foreign aid. Remittance have played a major role in reducing the extent of the country`s dependence on foreign aid. The contribution of remittance to GDP has also grown from a meager I percent in 1977-1978 to 5.2 percent in 1982-83. During the 1990s the ratio hovered around 4 percent. However if one takes into account the unofficial flow of remittances, its contribution to GDP would certainly be much higher. Murshed (2000) finds that an increase in remittance by Taka I would result in an increase in national income by Tk. 3.33. Following the expiry of multi-fiber agreement (MFA), Bangladesh will face steep competition in export of RMG. The country will cease to enjoy any special quota. It is apprehended that Bangladesh `s RMG export will decline sharply. This will result in loss of job of many workers and shortfall in foreign exchange earnings. Potential of retaining employment and export earnings through export of frozen fish, Jute, Leather and tea seems rather bleak.

CHAPTER 4

CONCLUSION AND RECOMMENDATION

4.1 MAJOR FINDINGS

- One problem relates to lack of modern technology of foreign exchange department.
- The officers are very helpful to the business men do not know exactly the procedures of opening L/C.
- Lengthy process of opening L/C is observed at Sonali Bank Ltd. Of Corporate Branch Dinajpur.
- SWIFT is being used in some branches and the Head Office of the bank with optimum security for trade finance related operation like documentary credit, documentary collection, fund transfer, guarantee, etc. but not in all branches.
- Foreign Exchange related charge fee is not clear to the customers.
- The database system of foreign exchange department is not very systematic. Also documentation and filling process of the forms for foreign exchange operation is not user friendly, which sometimes wastes valuable time.
- International import and export financing is increasing year to year.
- Sonali Bank Ltd Corporate Branch Dinajpur foreign exchange department is doing well and it shows the growth compare to previous year.
- The monitoring system of the foreign exchange department of Sonali Bank Ltd is excellent. The chain of command is strictly maintained here. The executives now and then visit the department, which keeps all the officers alert about their duty.
- Some rules and regulations of government work as barrier for the free flow of remittance, export and import of profitable goods.
- From the previous year it has been observing that frequently the currency of taka is devaluating and dollar currency is going very high. And devaluation of taka is hampering import business and other sectors too.
- Government new regulations like as L/C margin reduce the Foreign Exchange transaction.
- Strict controlling of Central Bank in foreign currency endorsement is a major problem.
- Corporate Branch Dinajpur of Sonali Bank Ltd. Does not perform the back to back letter of credit.

4.2 LIMITATIONS:

- It was very difficult to collect the information from various reasons.
- Bank policy was not disclosing some data and information for various reasons.
- The department people always remain busy due to lack of supporting employees so they could not dedicate their full efforts.
- The time 45 days only, which is insufficient to know all activities of the branch are prepare the report.
- I had no opportunity to verify the satisfaction level of clients and receive their suggestions in banking activities.
- Difficulty in accessing latest data of internal operations.
- Some information has withheld to retain the confidently of the Bank.
- Very inadequate time to make an in-depth inference about foreign exchange business.
- Clients were very busy with their own works in the bank.
- Large- scale research was not possible due to constrains and restrictions posed by the organization.
- Part of the original structure was written from individual perception and it may vary from person to person.

4.3 RECOMMENDATIONS:

- One problem relates to lack of modern technology of foreign exchange department, the bank must try to adopt new technologies.
- The bank should arrange more training programs for their officials. Quality training will help the officials to enrich them with more recent knowledge of foreign exchange activities and business men perfectly.
- Short and Moderate process of opening L/C should be developed at Sonali Bank Ltd of Corporate Branch Dinajpur.
- SWIFT in all branches should be used in foreign exchange department.
- Foreign exchange related charge fees should be clear to the customers.
- Margin and commission on L/C varies from customer to customer. A few customers are allowed to open L/C even with nil margin and fees commission. I think the bank should review the customer transaction behavior for a period of time and should develop a certain policy in this regard.
- In case of L/Cs, sometimes customers insist on giving their payments through documents are found discrepant .In some cases bank has to give payment to these customers for different reasons. But it lessens the credibility of the bank. I think the bank should be strict as possible about giving payment against discrepant documents without hurting the customers.
- The manager may also provide sufficient software facilities to the employees in the foreign exchange department of this branch.
- The manager should take some promotional activities so that the businessmen will feel interest to open their L/C in the foreign exchange department, Corporate Branch Dinajpur of Sonali Bank Limited.
- In foreign exchange department it is required to communicate with foreign banks and international division more frequently and quickly.
- The Software in General Banking as well as foreign exchange should be upgraded.
- Government new regulations like as L/C margin should no reduce the foreign exchange transaction.
- Central Bank should be flexible in foreign currency endorsement.
- Corporate Branch Dinajpur of Sonali Bank Ltd should perform the back to back letter of credit soon.

4.4 CONCLUTIONS:

Sonali Bank is by far the biggest bank as well as financial organization of Bangladesh. It has some advantages and disadvantages too. Since its inception in the early 1972 after the independence of Bangladesh it has played a vital role towards the progress of the nation in almost all spheres. The ratio analysis and CAMEL ratings do not reflect good impression of the bank to anybody. But all these analysis do not actually show the true story of the bank. The bank is still not facing losses year after year. But there are some problems with the bank’s performance. Poor government policies regarding financial organizations, poor credit culture in our country and lack of vision by top management, interference of CBA in all banking activities etc. is giving raise to the problems of the bank day by day. Recently the government has appointed foreign management who would work independently and by taking appropriate measures will try to improve things. The decision is still refuted by many and the results are yet to be proved in near future. So, for the time being we may hope that the private body of top management might take appropriate measures regarding the problems identified and discussed so far and thereby eliminating the problems to take the bank to a more profitable and good service rendering organization to the people of the government republic of Bangladesh. The banking service of the Sonali Bank Limited is getting modernized day by day. The customers are choosing Sonali Bank Limited as best services among their State Owned banks. Day by day Sonali Bank Limited increases their banking systems. They try to give the best service to their customer. Sonali Bank Ltd increases its customer service and the image has put excellent effect on consumer minds its customers are growing rapidly. Through I am facing some problems and limitations but I enjoyed my work. And worked in Sonali Bank Limited is gaining theoretical knowledge as well as practical knowledge. This is not possible in the classroom study. To prepare my internship report, I think I can gather more information and get better experience in work in General Banking Foreign Exchange department. I think it is one of the best State Owned banks. Transaction is doing very smoothly and interest rate is also good. Finally, I can say Sonali Bank Limited operates very well day by day.

REFERENCES

Annual Report of Sonali Bank Limited, Year ended December 31, 2014.

Aabo and Tom 2001, "Exchange rate exposures and strategies of industrial companies:

An empirical study." Thunderbird International Business Review. Hoboken: May/June 2001.43: 379- 395.

Adler, Michael and Bernard Dumas 1984. "Exposure to currency risk: definition and measurement". Financial Management. Tampa: Summer 1984. 13: 41- 50.

Allayannis, George and jane thing 2001. "Exposure and markups". The Review of Financial Studies. New York. 14:805-835.

Booklets from Sonali Bank Ltd.

Belk, P.A and D J Edelshain 1997. "Foreign Exchange risk management –the paradox". Managerial Finance Patrington: 1997. 23: 5-24.

Bodnar, Gordon M and M.H. Franco Wong 2003. "Estimating exchange rate exposures: Issues in model structure." Financial Management. 32: 35-67.

Bradley, Katrina and Peter Moles 2002. "Managing strategic exchange rate exposures: Evidence from UK firms". Managerial Finance.28: 28-42.

Chowdhury L. 2011. A Text Book on Foreign Exchange, Fifth Edition, Dhaka: Provati Publication.

Edelshain, David 1997. "Who manages foreign exchange risk?" Managerial Finance. 23: 58-84.

Hakkarainen, Antti, Eero Kasanen, and Vesa Puttonen 1997. "Foreign Exchange risk management: Evidence from Finland". Managerial Finance. 23: 25-44.

http://www.sonalibank.bd.com

http://www.bangladesh-bank.org.bd

Kanas, Angelos 1996. “Exchange rate economic exposure when market share matters and hedging using currency option”. Management International Review. Wiesbaden: First Quarter 1996. 36: 67-84.

Malindretos, Jhon and Demetri Tsanacas 1995. “Hedging preferences and foreign exchange exposure management.” Multinational Business Review. Detroit: Fall 1995. 3: 56-66.

Prospectus of Sonali Bank Ltd.

Peter S Rose. 2011. Commercial Bank Management, Seventh Edition, New York: Oxford University Press.

Retrieved 07 22, 2013, from http://news.alibaba.com/artical/detail/trade-

Knowledge/100065951-1-what-importing%253F.html

Retrieved 07 22, 2013, from http://business.yourdictionary.com/export

Vickery, Shawnee K, Carter, Joseph R, and D’ Tire, Michael. “A Bayesian approach to managing foreign exchange in international sourcing”. International Journal of purchasing and Materials Management. Winter1992. 28: 15-20.