

3.1 FOREIGN TRADE FINANCING

Foreign Exchange refers to the process or mechanism by which the currency of one country is converted into the currency of another country. Foreign exchange is the means and methods by which rights to wealth in a country's currency are converted into rights to wealth in another country's currency.

Foreign trade financing is an integral part of banking business. MBL offers two types of credit facilities to its customers. Such as-

- Funded Credit
- Non Funded Credit.

Funded Credit: The credit facility in which the fund of the bank is directly invested is known as funded credit. Such as, Cash Credit, Secured Overdraft etc.

Non Funded Credit: The credit facilities in which bank's funds are not directly invested are known as non-funded credit. Such as, Letter of Credit (L/C), Guarantee etc.

3.2 DOCUMENTARY CREDIT / LETTER OF CREDIT (L/C)

Letter of Credit / Documentary Credit (L/C) is the key player in the foreign exchange business. With the globalization of economy, International trade has become quite competitive. Timely payment for exporters and quicker delivery of goods is, therefore, a pre-requisite for successful international trade operation. Growing complexity of international trade, separation of commercial parties across the globe underlined the need for evolving a system that balances between the expectations of the seller and the buyer. Documentary Credit has emerged as a vital system of trade payment, and fulfilled the requisite commercial need. This system substantially reduces payment-related risks for both exporter and importer. Thus the letter of credit is the classical form of international export payment, especially in trade between distant partners. Payment, acceptance or negotiation of the credit is made by the bank upon presentation by the seller of stipulated documents (e.g., bill of lading, invoice, inspection certificate).



Documentary Credit or Letter of Credit is nothing but a letter of assurance of payment. This assurance of payment is made by the bank. It is an arrangement under which the bank the request of the buyer undertakes to make payment to the seller provided specified documents are submitted.

Documentary Credit is an arrangement whereby a bank (issuing bank) acting at the request and on the instruction of a customer (the applicant) or on its own behalf undertakes to make payment to or to the order of a third party (the beneficiary) or to accept and pay bills of exchange (draft) drawn by the beneficiary, or authorize another bank to negotiate against stipulated documents provided the terms and conditions to the credit are complied. Thus, Documentary Credits are similar to bank guarantees. In popular language, they are known as Letters of credit (L/Cs). Bank guarantees are however, issued to cover situation of non-performance whereas documentary credits are issued on behalf of the buyer to cover situation of performance, i.e., the issuing bank agrees to make payment to the beneficiary once he surrenders the requisite complying documents. Thus, Documentary Credit offers a unique and universally used method of achieving a commercially acceptable arrangement by providing for payment to be made against complying documents that represent the goods and making possible the transfer of those goods. The Uniform Customs and Practices for Documentary Credit (UCPDC) published by International Chamber of Commerce (1993) revision, publication no. 500 define Documentary Credit.

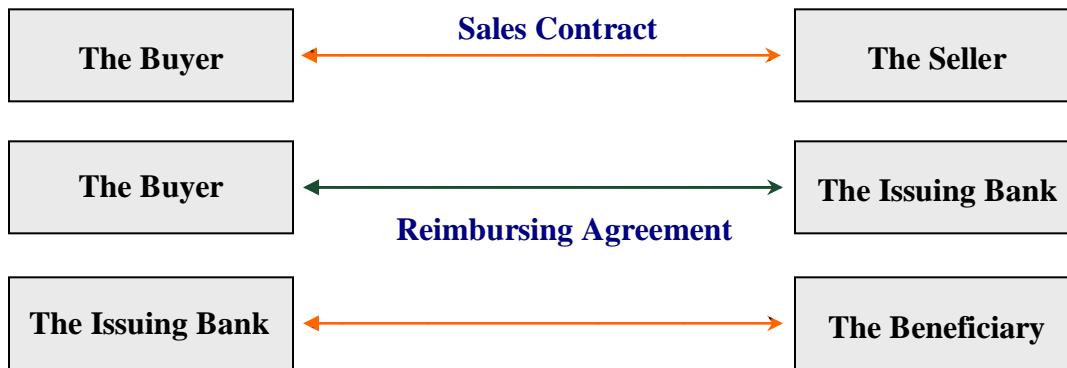


Figure 3-1: Documentary Credit Agreement

Legal Framework:

Foreign Exchange Business is a crucial and complex business all over the world. Fraud and forgery may arise in every sphere of this business. To overcome those miss happenings and to settle international disputes, a legal framework is a must. An apex body is doing these functions named International Chambers of Commerce (ICC). The publication made by the ICC is treated as compulsory law for each and every country. Among many publications, publications no. 500 is related to L/C opening and such other purposes.

3.3 FORMS OF DOCUMENTARY CREDIT

1. Revocable Credit:

A revocable credit is one where the issuing banks at liberty to revoke i.e. cancels the credit at any time. According to UCPDC, a revocable credit may amend or cancelled by the issuing bank at any moment and without prior notice to the beneficiary before shipment of consignment against the L/C.

2. Irrevocable Credit:

An irrevocable L/C is one, which cannot be revoked, amended or modified by the bank with the concurrence of the interested parties.

Documents used in L/C operation:

The most commonly used documents in foreign exchange are –

1. Bill of Exchange
2. Bill of Lading
3. Commercial invoice
4. Certificate of origin
5. Inspection certificate
6. Packing list
7. Insurance document
8. Pro Forma Invoice (PI)/Indent

Bill of exchange:

Bill of exchange is one of the important negotiable instruments in the mercantile world and used as a vital document facilitating settlement of payments between buyer/importer and seller/exporter at home and abroad. A bill when accepted by the drawee, gives evidence of the claim as made by the drawer as well as testimony to the acceptance of the debt by the drawee. The payment is done either in accordance with the terms of sale contract or under a L/C opened by the buyer/importer in favor of the seller/exporter.

Bill of lading:

A bill of lading is a document that is usually stipulated in a credit when the goods are dispatched by sea. It is evidence of a contract of carriage, is a receipt for the goods, and is a document of title to the goods. It also constitutes a document that is, or may be, needed to support an insurance claim.

The details on the bill of lading should include –

- A description of the goods in general terms not inconsistent with that in the credit.
- Identifying marks and numbers.
- The name of the carrying vessel.
- Evidence that the goods have been loaded on board.

- The ports of shipment and discharge.
- The names of shipper, consignee and name and address of notifying party.
- Whether freight has been paid or is payable at destination.
- The number of original bills of lading issued.
- The date of issuance a bill of lading specifically stating that goods are loaded for ultimate destination specifically mentioned in the credit.

Commercial Invoice:

A commercial invoice is the accounting document by which the seller charges the goods to the buyer. A commercial invoice normally includes the following information:

- i. Date
- ii. Name and address of buyer and seller
- iii. Order or contract number, quantity and description of the goods, unit price and the total
- iv. Price
- v. Weight of the goods, number of packages, and shipping marks and numbers
- vi. Terms of delivery and payment
- vii. Shipment details

Certificate of Origin:

A certificate of origin is a signed statement providing evidence of the origin of the goods.

Inspection Certificate:

This is usually issued by an independent inspection company located in the exporting country certifying or describing the quality, specification or other aspects of the goods, as called for in the contract and/or the L/C. The buyer who also indicates the type of inspection he wishes the company to undertake usually nominates the inspection company.

- SGS
- Bureau Veritas

- Intertek Testing Service
- Inspectorate Griffith Ltd.
- Cotecna

Packing List:

This is a unique document and not combined with other document. This is a listing of the contents of each package, cartoon etc. and other relevant information.

Insurance Document:

Insurance is a contract whereby the insurer is undertaking to indemnify the assured to the agreed manner and extent against fortuitous losses. Insurance document generally contains the following information:

- The name of the insurer or his agent
- The name of the ship/carrier
- The name of assured
- The subject matter of insurance
- The time and/or voyage insured
- The peril(s) insured against
- The date and subscription
- The valuation
- The stamp etc.

Pro-forma Invoice (P/I) / Indent:

Pro-forma Invoice/indent is the sale contract between seller and buyer in import- export business. There is slight difference between Indent and Pro-forma invoice. The sales contract, which is direct correspondence between importer and exporter, is called Pro-forma invoice. There is no intermediary between them. On the other hand, there may be an agent of exporter in importer's country. In this regard, if the sale contract is occurred between the agent of exporter and importer then it is called Indent.

Pro-forma Invoice is a form of quotation to a potential buyer, inviting him to buy the goods on stated terms. It should be clearly stated that it is pro forma and if it is accepted the details are normally transferred to a commercial invoice.

Different Accounts Released to Foreign Exchange Transaction:

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

Nostro Account:

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

Vostro Account:

Vostro account means “your account with us”. The account maintained with foreign correspondent in a bank of a particular country is known as Vostro account.

What is the nostro account for a bank in a particular country is a vostro account for the bank abroad maintaining the account thus the account of MBL with Citi Bank N.A, New York is regarded as it’s nostro account held with Citi Bank, while Citi Bank N.A, New York regards it as a its vostro account held for MBL.

Loro Account:

Loro account means “their account with you”. Account maintained by third party is known as loro account; suppose MBL is maintaining an account with Citi Bank N.A, New York and at the same time Janata Bank is also maintaining a nostro account with Citi Bank N.A, New York. From the point of view of MBL Janata Bank’s account maintained with Citi Bank N.A (New York) is the loro account.

Parties Involved in the Process of L/C:

- Importer (Buyer)/Applicant
- The Issuing Bank (Opening Bank)
- The Advising Bank/Notifying Bank

- Exporter/Seller (Beneficiary)
- Confirming Bank
- Negotiating Bank
- The Paying/Reimbursing/Accepting/Remitting Bank.

➤ **Applicant/Buyer:**

The customer of the bank who requests the bank (opening bank) to issue letter of credit. As per instruction and on behalf of the applicant, bank opens L/C in line with the terms and conditions of the sales contract between the buyer and seller.

➤ **Beneficiary:**

Beneficiary of the L/C is the party in whose favor the letter of credit is issued. Usually they are the seller or exporter.

Now let's see how Bank undertakes as the rest of the parties.

3.4 BANK AS A PARTY OF DOCUMENTARY CREDIT

Parties to the documentary credit are an issuing bank, an advising bank, a confirming bank, a reimbursing bank or a negotiating bank.

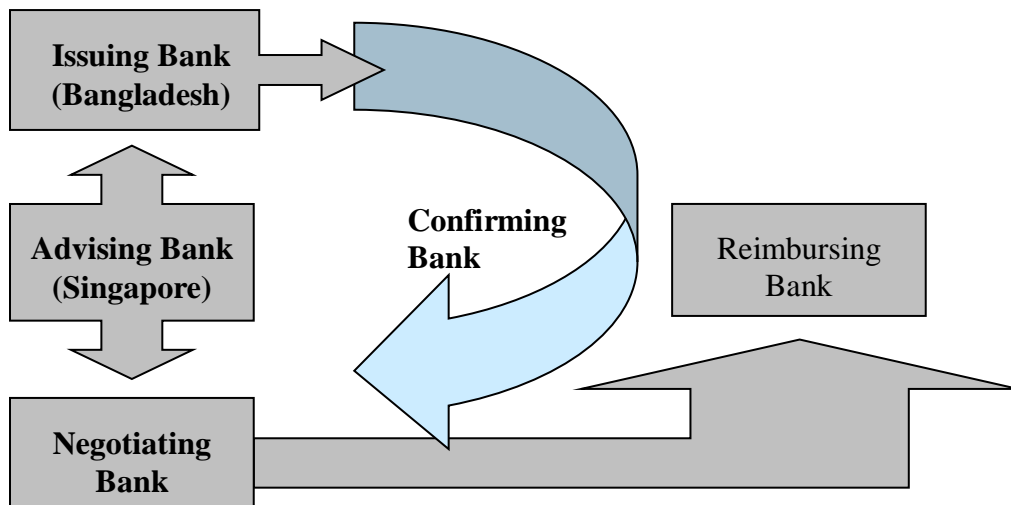


Figure 3-2: Documentary Credit

Opening Bank/Issuing Bank

The Issuing Bank or the Opening Bank is one which opens/issues the credit, i.e., undertakes, independent of the undertaking of the applicant, to make payment provided the terms and conditions of the credit have been complied with. The payment may be at sight if the credit provides for sight payment or at maturity dates if the credit provides for deferred payment. Especially the issuing bank should satisfy himself on the credit worthiness of the applicant. The credit application must be in accordance with the Uniform Customs and Practices for Documentary Credit (UCPDC) - ICC publication no. 500 edition of 1993.

Advising/Notifying Bank

The bank through which the L/C is advised/forwarded to the beneficiary (exporter). The responsibility of advising bank is to communicate the L/C to the beneficiary after checking the authenticity of the credit. The advising bank acts only as agent of the issuing bank without having any engagement on their part.

Confirming Bank

A Confirming Bank is one which adds its guarantee to the credit opened by another bank, thereby undertaking the responsibility of payment / negotiation / acceptance under the credit in addition to that of the issuing bank. A confirming bank normally does so if requested by the issuing bank. When the creditworthiness of the issuing bank is in doubt, beneficiary's bank may request the issuing bank to give additional confirmation by another bank. It is said, 'Add Confirmation' in practice.

Negotiating Bank

The Bank, which negotiate documents and pays the amount to the beneficiary when presented complying credit terms. If the negotiation of documents is not restricted to a particular bank in the L/C, normally negotiating bank is the banker of the beneficiary.

□ Reimbursing/Paying Bank

A Reimbursing Bank is the bank authorized to honor the reimbursement claims in settlement of negotiation / acceptance / payment lodged with it by the negotiating bank or accepting bank. It is normally the bank with which the issuing bank has account from which payment is to be made. Reimbursement claims in foreign exchange business is settled by the Uniform Rules for Reimbursement (URR) - ICC publication no. 525.

Authorized Dealer:

In administering exchange control and foreign trade, Central Bank of the country (Bangladesh Bank) authorizes few branches of commercial banks to deal in foreign exchange. These branches are known as “Authorized Dealers”. They act as an agent of the Central Bank and work under the “Foreign Exchange Regulations Act-1947” and “Guidelines for Foreign Exchange Transactions-Volume 1 & 2” prescribed by Bangladesh Bank.

3.5 MBL, NAYABAZAR BRANCH AS AN AUTHORIZED DEALER

Mercantile Bank Limited, Nayabazar Branch is permitted to work as an “Authorized Dealer” (AD) for the financing of foreign trade and dealing with foreign currency. This branch directly involves with L/C opening and in some cases, they need to take permission from the Head Office. Per day this branch opens at least three or four L/C for its customer and the amount not less than USD-80,000 – 100,000 per day.

The Foreign Exchange Department is mainly divided into three sections. Such as-

1. Import Section
2. Export Section &
3. Remittance Section

The Import Section deals with L/C in the perspective of the importers and the Export Section deals with L/C in the perspective of the exporters.

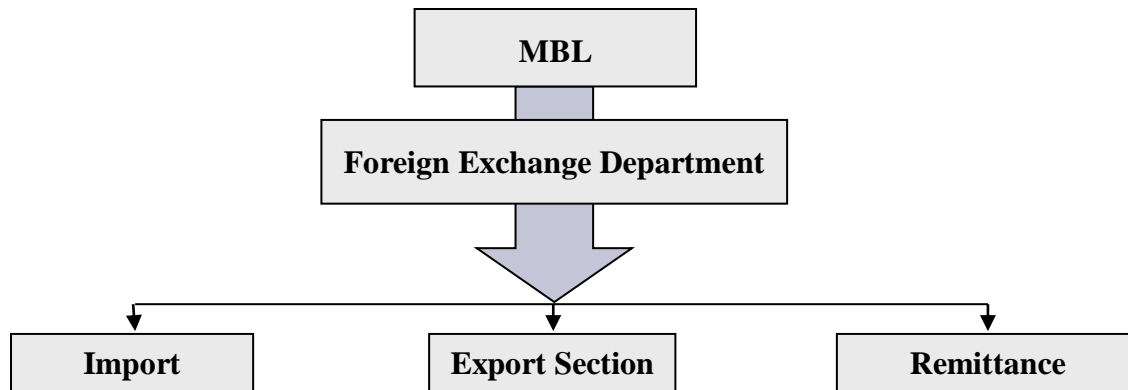


Figure 3-3: Foreign Exchange Department of MBL

The above is the usual scenario of MBL’s Foreign Exchange Department. Here, it is mentionable that **Foreign Exchange Department of MBL’s Nayabazar Branch did not deal Export side yet**. So, MBL’s Nayabazar Branch has the following:

Foreign Exchange Department of MBL, Nayabazar Branch, Dhaka:

Foreign Exchange Department of MBL, Nayabazar Branch, Dhaka has been divided into two sections:

- 1) L/C Operation
- 2) Foreign Remittance

Foreign Exchange Department:

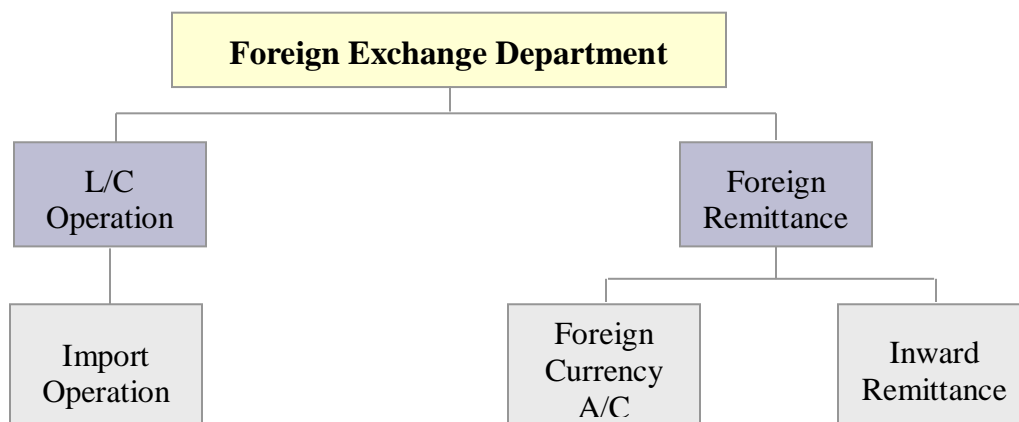


Figure 3-4: Foreign Exchange Department of MBL, Nayabazar Branch

Import is the flow of goods and services purchased from one country to another. Here, import of merchandise essentially involves two things: bringing of goods physically into the country and remittance of foreign exchange towards the cost of the merchandise and services connected with this to the importer.

3.6 IMPORT SECTION

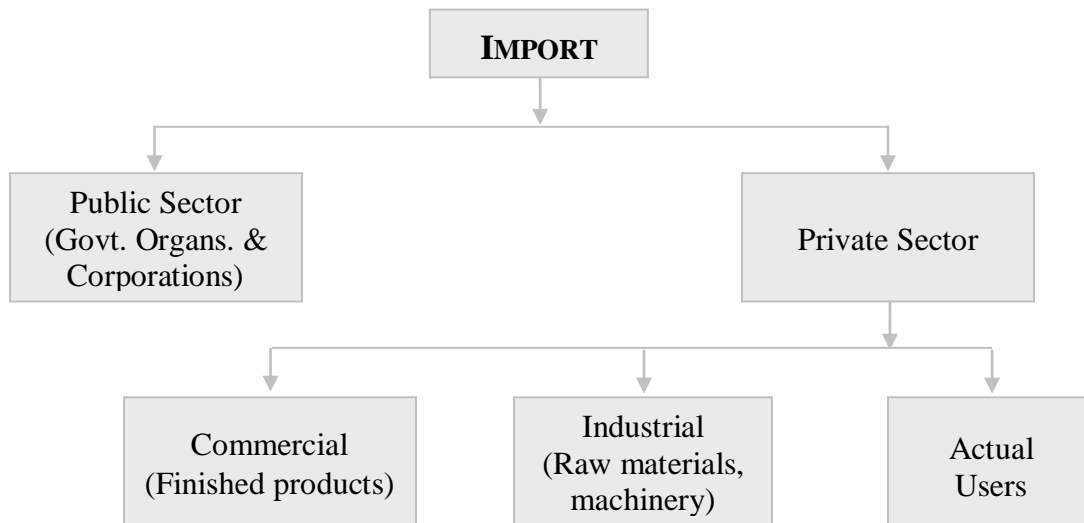


Figure 3-5: Types of Importers

Top 10 L/C Opener:

From the very beginning, MBL, Nayabazar Branch has embarked on extensive Foreign Exchange business with a view to facilitate international trade of the country. The following table shows the Top 10 L/C opener in MBL’s Nayabazar Branch with cumulative L/C position and US\$ up to December 2008.

The particulars are specified in [Appendix - H](#)

List of the Major Countries of Foreign Exchange Business:

From this chart, we can get the name of countries where most of the foreign exchange business of MBL, Nayabazar branch happened in the last five years:

RANK	IMPORT
1	China
2	India
3	Taiwan
4	Hong Kong
5	South Korea
6	Singapore
7	Japan

Table 3-1: Top Importing countries of MBL, Nayabazar Branch

L/C Position of MBL, Nayabazar Branch – At a Glance:

Yearly L/C position

YEAR	NUMBER OF L/C	L/C AMOUNT (TK.)	INCOME (TK.)
2004	609	757,879,364.55	4,005,917.46
2005	530	731,871,402.71	3,775,485.61
2006	782	1,297,832,886.31	6,442,531.55
2007	630	1,158,474,485.33	5,641,897.94
2008	429	920,834,835.73	4,369,739.34

Table 3-2: L/C position from 2004 to 2008

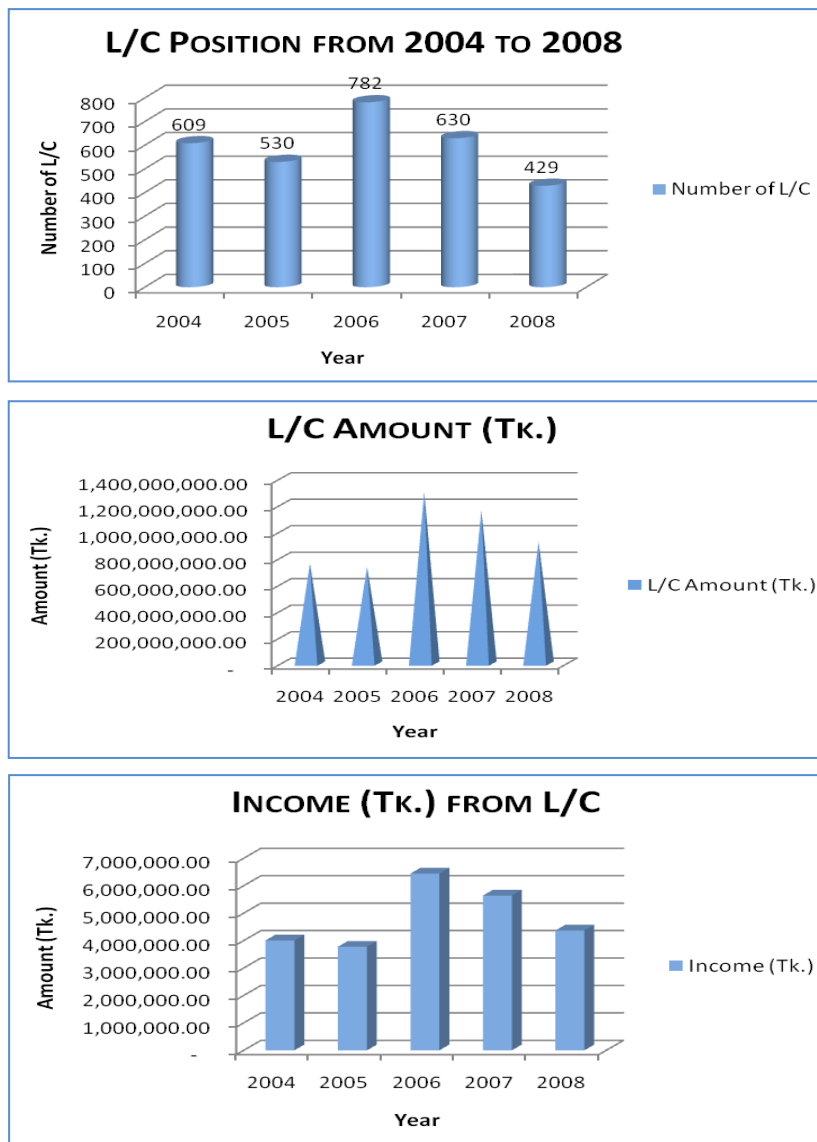


Figure 3-6: L/C Position & Income from L/C

From the above figures, we noticed that in year 2006, there was a sharp increase in L/C position, L/C amount and Income. After that, there was a fall in the above.

Monthly L/C Position in 2009

MONTH	NUMBER OF L/C	AMOUNT (TK)	CUMULATIVE (No)	CUMULATIVE (TK)	INCOME (TK)
January	60	89,870,828.33	60	89,870,828.33	455,483.31
February	72	147,844,443.52	132	237,715,271.85	706,577.77
March	69	121,790,226.54	201	359,505,498.39	597,560.91

Table 3-3: L/C position from 01.01.2009 to 31.03.2009

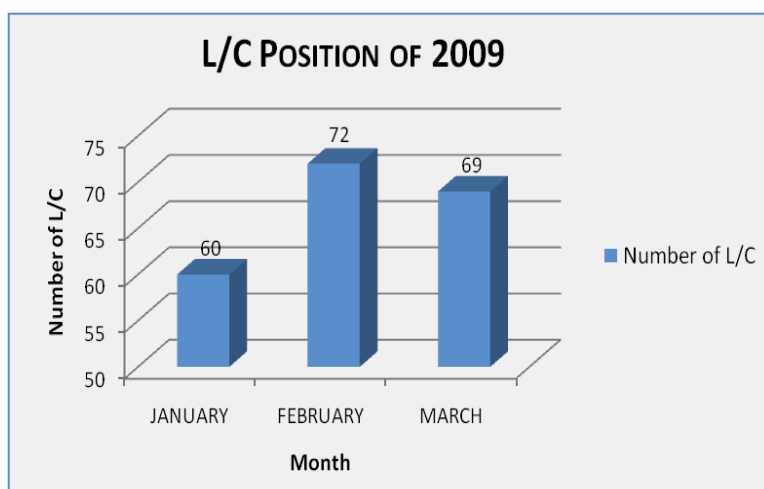


Figure 3-7: L/C Position in 2009

From the above figure, we noticed that in February, the L/C position increased sharply and then slight decreased in March. Here, it is mentionable that 72 L/C in February was the highest record in a month of MBL, Nayabazar Branch.

Import Registration:

At first, the importer must obtain Import Registration Certificate (IRC) from the Chief Controller of Imports & Exports (CCI&E) submitting the following papers:

- Up to date Trade License.
- Nationality and Asset Certificate.

- Tax Identification Number (TIN).
- VAT registration number
- In case of company, Memorandum & Articles of Association and Certificate of Incorporation.
- Bank Solvency Certificate etc.

Desire to Import:

Then the importer has to contract with the seller outside the country to obtain the Pro-forma Invoice. Usually an indenter, local agent of the seller or foreign agent of the buyer makes this communication.

Other sources are:

- Trade Fair
- Chamber of Commerce & Industry
- Foreign Missions in Bangladesh
- Journals etc.

Purchase Contract:

When the importer accepts the Pro-forma Invoice, he makes a purchase contract with the exporter detailing the terms and conditions of the import.



Buyer agrees to purchase goods using a Letter of Credit as the means of financing the transaction.

Figure 3-8: L/C financing the transaction

Settlement of the Means of Payment:

After making the purchase contract, importer settles the means of payment with the seller. And importer differs with different means of payment. The possible means are Cash in Advance, Open Account, Collection Method and Documentary Letter of Credit. In most cases documentary letters of credit in our country makes payment.

Proposal for Opening of L/C:

In case of an L/C of a small amount only the prescribed application form, i.e., the LCA Form is enough to open an L/C. But when the L/C amount is reasonably high or where the party intends to avail a credit facility, then the importer needs to submit an application to the Foreign Exchange Department for getting a limit of the L/C amount.

The Salient features of the Application are –

- Full particulars of the bank account
- Nature of business
- Required amount of limit
- Payment terms and conditions
- Goods to be imported
- Offered security
- Repayment schedule

Application for L/C Limit:

Before opening L/C, importer applies for L/C limit. To have an import L/C limit, an importer submits an application to the Department of MBL furnishing the following information –

- Full particulars of Bank account maintained with MBL
- Nature of business
- Required amount of limit
- Payment terms and conditions
- Goods to be imported

- Offered security
- Repayment schedule

A credit officer scrutinizes this application and accordingly prepares a proposal Credit Line Proposal (CLP) and forwards it to the Head Office Credit Committee (HOCC). The Committee, if satisfied, sanctions the limit and returns back to the branch. Thus the importer is entitled for the limit.

Application for Opening L/C:

At first, an Importer will request Banker to open L/C along with the following documents:

- An application.
- A CD account with the branch.
- Import Registration Certificate (IRC).
- Taxpayer's Identification Number (TIN).
- Indent or Pro-forma Invoice.
- Insurance Cover Note with money receipt.
- Membership certificate from a recognized Chamber of Commerce & Industry or Town Association or registered Trade Association.
- VAT Registration Certificate (for Commercial Importers).
- In case of Public Sector, attested photocopy of allocation letter issued by the allocation authority. Administrative Ministry or Division specifying the source, amount, purpose, validity and other terms and conditions against the imports.

If Bank management is satisfied then the authority may permit to open the letter of credit. When the importer is opening L/C, then some procedures are also maintained. For this reason, bank provides forms. These forms are discussed below.

L/C Application Form:

L/C Application form is a sort of an agreement between customer and bank on the basis of which letter of credit is opened. MBL Nayabazar Branch provides a printed form for

opening of L/C to the importer. A special adhesive stamp of value Tk. 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. Here, I noticed they give normally 20% to 30% margin.

Usually the importer gives the following information –

- Full name and address of the importer or opener
- Full name and address of the beneficiary or exporter
- Draft amount
- Availability of the credit by sight payment/acceptance/negotiation/deferred payment
- Time bar within which the documents should be presented
- Sales type (CIF/FOB/CRF)
- Brief specification of commodities, price, quantity, indent number etc.
- HS Code No.
- Port of shipment, destination and via
- 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
- Last date of shipment
- Last date of negotiation
- Other terms and condition (if any)
- Whether the confirmation of the credit is requested by the beneficiary or not
- Whether it will be SWIFT or Mail.

The L/C application must be completed/filled in properly and signed by the authorized person of the importer before it is submitted to the issuing bank.

The Letter of Credit Authorized Form (LCAF):

The Letter of Credit Authorization Form (LCAF) is the form prescribed for the authorization of opening letter of credit/payment against importer and used in lieu of import license. The authorized dealers are empowered to issue LCA Forms to the importers as per basis of licensing of the import Policy Order in force to allow import into Bangladesh. If foreign exchange is intended to be bought from the Bangladesh Bank against an LCAF, it has to be registered with Bangladesh Bank's Registration Unit located in the concerned area office of CCI&E. The LCA Forms available with authorized dealers are issued in set of five (05) copies each. First copy (Original) is For Exchange Control Purposes, which is used for opening L/C and effecting remittance. Second copy (Duplicate) is For Customs Purposes, which is used for clearance of imported goods from custom authority. Third copy (Triplicate) is For Statistical Purposes. Fourth copy (Quadruplicate) is For CCIE's Purposes. Fifth copy (Quintuplicate) is For The Registration Unit of Bangladesh Bank.

The Letter of Credit Authorized Form (LCAF) constraint the following details –

- Name and address of the importer or opener.
- IRC no. and Year of Renewal.
- Amount of L/C applied for (both in figure and in word).
- Description of item(s) to be imported.
- Import Trade Certificate (ITC) Number / Harmonized System of Code (HS Code) Number.

The Import Permit (IPM) Form:

The IMP Form contains the followings –

- Name and address of the Authorized Dealer.
- Amount of remittance to be permitted (i.e., L/C amount).

- LCA Form number, date, value in Tk.
- Description of goods, quantity.
- Invoice value in foreign currency (i.e., L/C amount).
- Country of origin.
- Port of shipment.
- Name of steamer/airline (i.e., by road/by ship/by air etc.)
- Port of importation.
- Indenter's name and address.
- 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 i.e., Commercial or Industrial.

Preparation of L/C by Banker:

Bank's officer prepares L/C when above-mentioned forms are to be submitted by customer or importer. Before preparing L/C, MBL officer scrutinizes the application giving emphasis to the following points-

1. L/C application is stamped (as per Govt. Stamp Rule) as it is a guarantee of payment;
2. All information mentioned in different columns have been furnished;
3. The items to be imported are eligible according to import entitlement;
4. If L/C is opened against indent, Bangladesh Bank's permission, valid registration, authority to issue indent by are to be checked;
5. The terms and conditions stipulated in the L/C application are consistent with the Bangladesh Bank Foreign Exchange Guidelines, UCPDC 500 and Exchange Control & Import Trade Regulation etc;
6. The amount and description of merchandise are relevant to LCAF and Pro-forma Invoice/Indent/Purchase Order;
7. Survey Report or Certificate in case of old machinery;

8. Carrying vessel is not of Israel or Serbia, Montenegro, Iraq & Afghanistan;
9. Certificate declaring that the item is in operation not more than 5 years in case of car;
10. Radioactivity report in case of food item.

Bank of the importer is called “L/C Issuing Bank”. Then issuing bank informs its corresponding bank, called “Advising Bank or Confirming Bank” located in exporter’s country to advise and the credit forward to the exporter and simultaneously officer makes L/C opening vouchers.

Desk Works:

- One debit voucher to be passed.
- Corresponding credit voucher to be passed (margin, commission, postage, stamp, F.F.C. and others).
- Liability voucher to be passed.

Accounting Treatment in Case of L/C Opening:

After sanctioning the L/C proposal by the branch incumbent/competent authority, the respective officer will pass the following vouchers –

Date	Particulars	L.F.	Amount(Tk.)	
			Debit	Credit
	L/C Applicant’s A/C or Customer’s A/C --(Dr)		XXX	
	Margin on L/C -----(Cr)			XXX
	Commission on L/C -----(Cr)			XXX
	VAT (15% of Commission) on L/C ----(Cr)			XXX
	FCC (Foreign Correspondent Charge) -(Cr)			XXX
	Telex/Postage Charges A/C -----(Cr)			XXX

A liability voucher is also passed. Such as –

Date	Particulars	L.F.	Amount(Tk.)	
			Debit	Credit
	Customers Liability against L/C -----(Dr)		XXX	
	Banker’s Liability against L/C -----(Cr)			XXX

After that, L/C number and the above entries are given in the L/C Register. Then the transmission of L/C is done through Airmail/Courier Services/SWIFT/Telex to the Advising Bank. Tested telex is required where SWIFT is not available. If the amount of L/C exceeds US\$ 5,000, the branch takes the credit report of the beneficiary to ensure the worthiness of the supplying goods. Reimbursement authority is sent to the Reimbursing Bank.

The following is mentionable regarding the above vouchers –

- i. Rate of margin: Most cases it is 20% on the actual amount. It may vary from condition to condition or party to party based on the L/C amount and their performance and importance.
- ii. Commission: 0.50% for 45 days tenor on the actual amount.
- iii. VAT on commission @ 15%
- iv. Handling charge – Tk. 500
- v. Service charge – Tk. 1,000
- vi. VAT on Service Charge @ 15%
- vii. Stamp – Tk. 150
- viii. LCA Form - Tk. 100
- ix. Postage/Telex - Tk. 3,000 (if SWIFT); Tk. 1,300 (if Mail)
- x. Handling Charge – Tk. 500. It is applicable only if the L/C is prepared for Mail (not SWIFT); then the importer has to pay more VAT @ 15% on this Handling Charge.
- xi. Liability margin – same amount of L/C amount but in round figure.

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. These amendments involve changes in (i) unit price (ii) extension of validity of the L/C (iii) documentary requirements etc. Such amendments can be affected only if all the concerned parties agree i.e. the beneficiary, the importer, the issuing bank and the advising bank. For any amendment the importer

must request the issuing bank in writing duly supported by revised indent/pro-forma invoice. The issuing bank then advises the required amendment to the advising bank.

MBL, Nayabazar Branch transmits the amendment by tested telex, airmail or courier service to the advising bank. In case of Revocable Letter of Credit, it can be amended or cancelled by the issuing bank at any moment and without prior notice to the beneficiary. But in case of Irrevocable Letter of Credit, it can never be amended nor cancelled 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 circular, are debited from the party's A/C accordingly. No Revocable L/C is opened now a day.

Adding Confirmation:

Sometimes beneficiary or supplier of the goods insists the importer for adding confirmation to L/Cs or to issue L/C with add confirmation. In that case, at the request of the importer, the issuing bank requests the advising bank or any third bank to add their confirmation to the L/C. Normally, add confirmation charge is borne by the beneficiary and the confirmation charge differs from bank to bank.

The L/C Confirming Process:

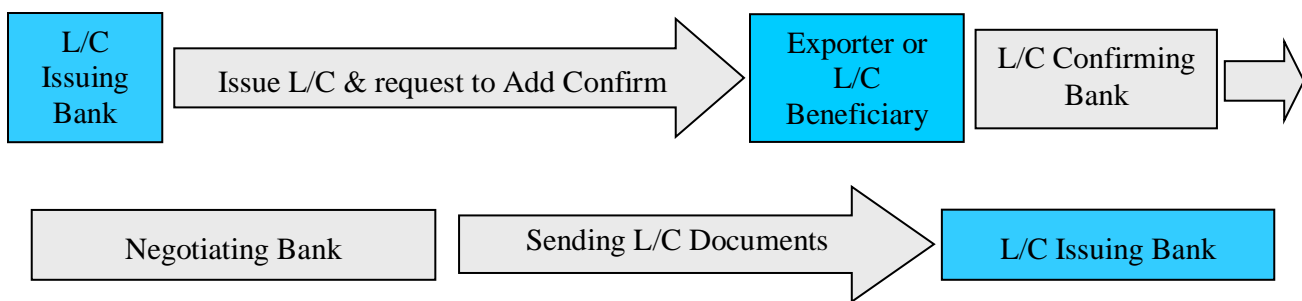


Figure 3-9: L/C confirming process

Submission of Necessary Documents by Exporter to the Negotiating Bank:

As soon as the seller/exporter receives the credit and is satisfied that he can meet its terms and conditions, he is in position to load the goods and dispatch them. The seller then sends the documents evidencing the shipment to the bank.

Exporter will submit those documents in accordance with the terms and conditions as mentioned in L/C. Generally the documents observed by me in the foreign exchange department are –

- Bill of Exchange
- Commercial Invoice
- Bill of Lading
- Certificate of Origin
- Packing List
- Shipping Advice
- Non-negotiable copy of Bill of Lading
- Clean Report of Finding (CRF)
- Weight List
- Insurance Cover Note
- Pre-Shipment Certificate

The Negotiating Process of Import L/C:

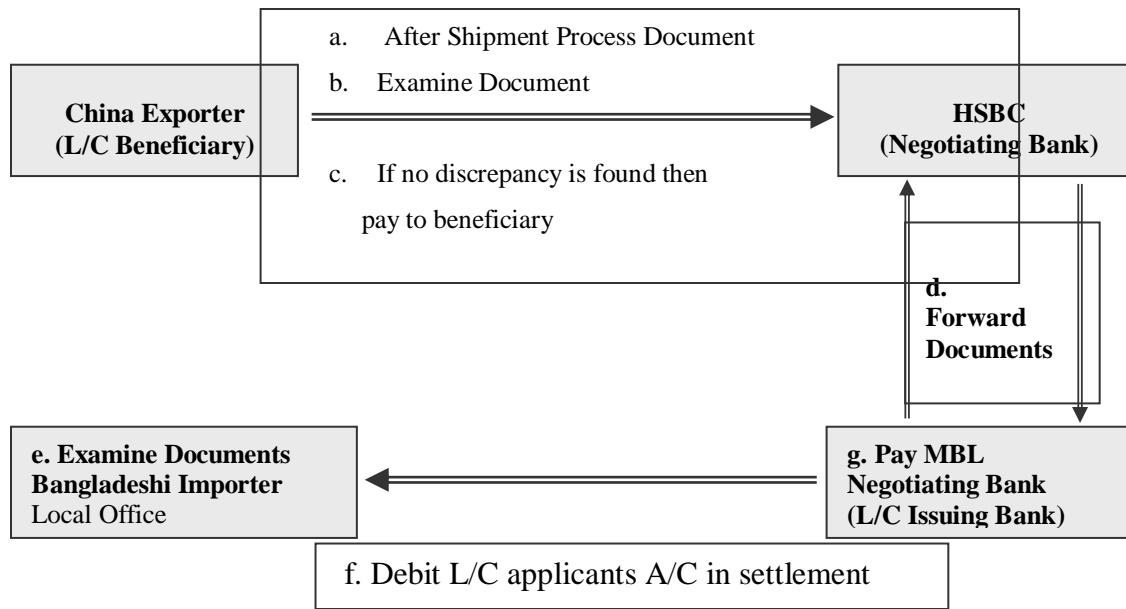
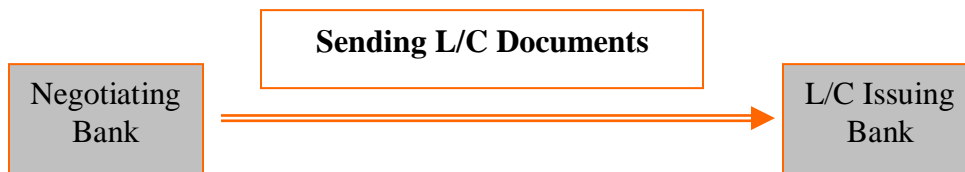


Figure 3-10: Negotiating process of import L/C

Sent to the Issuing Bank Through the Negotiating Bank:

The negotiating bank carefully checks the documents provided by the exporter against the credit, and if the documents meet all the requirements of the credit, the bank will pay, accept, or negotiate in accordance with the terms and conditions of the credit. Then the bank sends the documents to the L/C opening.



Making the Payment of Foreign Bill through the Reimbursing Bank:

The L/C issuing bank getting the documents checks immediately and if they are in order and meet the credit requirements; it will arrange to make payment against L/C through reimbursement bank and will send the importer the document arrival notice.

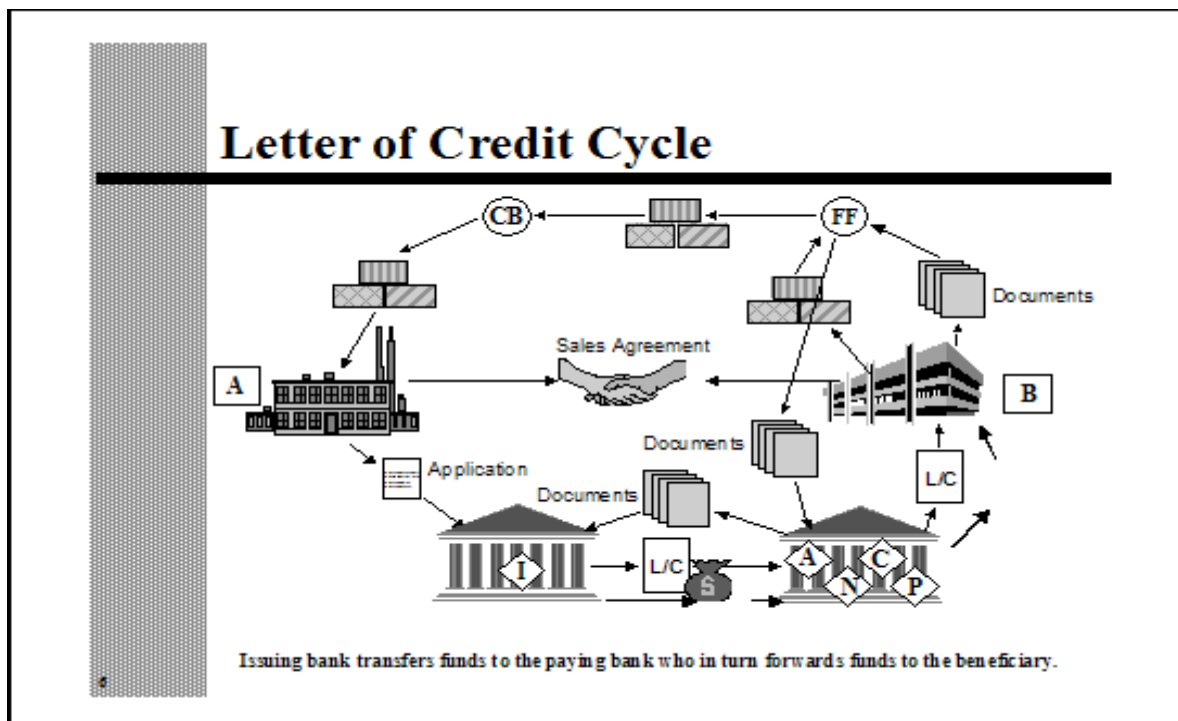


Figure 3-11: The Letter of Credit Cycle

Scrutiny of the Documents:

One of the basic principles of documentary credit is that all parties deal with document and not with goods (Articles 6 of UCPDC-500). That is why; the documents should be scrutinized properly. Respective 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 advises the discrepancy / discrepancies to the negotiating bank within seven (07) working days after receiving the documents. A checklist may be followed for examining the documents.

Then the following things can happen. These are indicated in the following –

- Discrepancy found but the Importer Accept:** Then the Bank will lodge the documents.
- Discrepancy found and Importer not Agreed to Accept:** Issuing Bank would intimate negotiating Bank for revised document or return the documents to the negotiating Bank for necessary action. Here issuing Bank is not bound to pay because the documents send by exporter is not in accordance with the terms of L/C.
- Documents are Ok but Importer is not Willing to Retire the Documents:** In this case Bank is obliged to pay the price of exported goods. Since importer did not pay for bill of exchange, this payment by Bank is one kind of credit to the importer and this credit in Banking is known as FORCED PAD.
- LTR (Loan against Trust Receipts):** Advance allowed for retirement of shipping documents and release of goods imported through L/C falls under this head. The goods are handed over to the importer under trust with the arrangement that sale proceeds should be deposited to liquidate the advances within a given period. This is post import finance by MBL.

Check Points for Security: At time of scrutiny, the following points to be checked specially:

Bill of exchange:

- Is the bill drawn in terms of the L/C and does it bear L/C no. and date?
- Does the amount of the BOE in words and figures agree and is it in the same currency of the L/C?
- Whether the draft is drawn on the issuing bank or not?

Invoice:

- Does the invoice value agree with the amount of the BOE?
- Does the invoice value clearly state the unit price i.e., FOB/C&E/CIF as mentioned in the L/C?
- Does the description of goods declared in the invoice agree with that of the L/C?
- Does the shipping mark on invoice agree with those on B.L/AWB/TR/RR?
- Does the gross weight and net weight if shown on invoice agree with those on B/L?
- Custom invoice and for consular to be presented as per credit terms.

Transport Document:

- Has the full set of original transport documents have been submitted?
- Is the B/L marked 'ON BOARD'?
- Is the B/L clean?
- 'Combined' 'Charter party', 'Short form' B/L is not acceptable if not allowed in the L/C?
- Transshipped B/L not to be acceptable unless allowed by L/C?
- Is 'Freight prepaid' or 'Freight payable' at destination in accordance with L/C terms?
- Are shipping documents properly endorsed?
- Are the name(s) and address of the notifying party(s) identical with those in the L/C?
- The date of shipment on the transport documents must not later than the date stipulated in the L/C?

- B/L must be issued in order of the issuing bank.
- The port of shipment and destination must be as per credit terms.
- B/L must bear the name of carrying vessel and the flag.

Pre-shipment Inspection Report:

- Inspection done by the authorized person called by the L/C
- Inspection done at named place
- Inspection certificate must confirm the specification called for in the L/C
- Certificate must confirm that they have inspected the goods related to the L/C under reference
- Inspection certificate must confirm the quality of the goods they inspected as called by the credit

Beside the above, the bank examines and scrutinizes the followings –

- Whether all the documents required by the credit are submitted
- Documents to be consistent with one another
- Documents to be presented within the stipulated time
- Documents to be issued by the authorized person as stipulated in the credit
- Documents to be examined as per credit terms and international standard banking practice

Lodgment:

If import documents are found in order, they are to be made entry in bill register and necessary vouchers to be passed, putting Bill number on the documents. This process is called Lodgment of the bill. The word “Lodgment” means temporary stay. Since the documents stays at this stage for a temporary period i.e. up to retirement of the documents, the process is called lodgment. Bank must lodge the documents immediately after receipt of the same, not exceeding 7 banking days, following the day of receipt of the documents, (Article 14, UCPDC-500).

Procedures for Lodgment:

- **Bill register:** Bank entry the documents in the bill register. Bill register must include date of lodgment, bill no, bill of exchange no, amount, name of the negotiating bank, Bill no and date, merchandise, retirement date and other particulars.
- **Application of rate:** Foreign currency would be converted at Bangladeshi currency selling rate ruling on the date of lodgment.
- **Exchange control form:** IMP & TM form must be filled in and signed by the importer at the time of lodgment.
- **Endorsement of LCAF:** LCA Form must be endorsed showing utilization of shipment.
- **Noting on the file:** Utilized amount showing bill number to be noted on the printed format of L/C file.

If the documents are in order, this Branch lodges the documents in PAD (Payment Against Documents) and the following accounting treatments are given-

Date	Particulars	L.F.	Amount(Tk.)	
			Debit	Credit
	PAD A/C -----(Dr) MBL General A/C (at HO prescribed rate)--- (Cr) Exchange A/C -----(Cr)		XXX	XXX XXX

The reversal entries are as follows –

Date	Particulars	L.F.	Amount(Tk.)	
			Debit	Credit
	Banker's Liability A/C -----(Dr) Customer's Liability A/C -----(Cr) (When lodgment is passed)		XXX	XXX

Retirement:

When the importer release the import documents from the bank by acceptance/cash payment or under post import bank finance, it is known as retirement of the import documents.

Steps for Retirement -

- **Intimation to the importer:** Bank will intimate the importer with full particulars of the shipment to retire the import documents on receipt of the same as per terms of the credit.
- **Acceptance:** Usance bill for collection is to be presented to the importer for acceptance. Sight bills need no acceptance if not discrepant. The maturity to be calculated from the date of acceptance or negotiation as per credit terms. A due date diary to be maintained for maturity date.

After passing the lodgment vouchers, the shipping documents are then stamped with PAD Number and entered in the PAD Register. The retirement vouchers are as follows –

Date	Particulars	L.F.	Amount(Tk.)	
			Debit	Credit
	L/C Margin A/C -----(Dr)		XXX	
	Party's A/C -----(Dr)		XXX	
	PAD A/C -----(Cr)			XXX
	Income A/C interest on PAD -----(Cr)			XXX
	Commission on PAD -----(Cr)			XXX
	Miscellaneous earning -----(Cr)			XXX

After the vouchers are passed, endorsement is made on the back of the bill of exchange as 'Received Payment' & bill of lading is endorsed to the effect that 'Please deliver to the order of M/S' under two authorized signatures of the bank officials of MBL. Then the documents are delivered to the L/C applicant (importer).

But if there is any discrepancy in the documents, the L/C issuing bank send message to the negotiating bank to rectify it under its risks and responsibilities

Payment of Imports:

Letter of Credit is a legal instrument, which binds all relevant parties according to terms and conditions incorporated therein.

According to payment terms, there are mainly two types of L/Cs such as:

- i) Sight Credit
- ii) Usance Credit

L/C on Differed Payment Basis -

L/Cs may be opened on deferred payment basis in the following cases subject to approval of Head Office:

- i) Capital machinery imports on up to 360 days usance basis,
- ii) Industrial raw material imports for own use of industrial importers on up to 180 days usance basis,
- iii) Import of coastal vessels including oil tankers and ocean going vessels including those procured for scrapping on up to 360 days usance basis,
- iv) Import of agricultural implements and chemical fertilizer on up to 180 days basis,
- v) Import of life saving drugs on up to 90 days usance basis.

For such deferred payment imports, the prices must be internationally competitive and usance interest, if any, should not be at rate higher than the LIBOR for the relative period or the equivalent rate prevailing in the currency of the country of the supplier.

Payment of Differed Bill –

The branch, on maturity or at the instruction of the drawee before maturity, will make payment of the deferred bill.

Vouchers to be passed:

(i) Reversal of Acceptance liability

Date	Particulars	L.F.	Amount(Tk.)	
			Debit	Credit
	Banker's liability on PAD (Deferred) ---(Dr) Customers liability on PAD (Deferred)--(Cr)		XXX	XXX

(ii) Dr. Sundry Deposit A/c. Margin on L/C (Deferred)

Date	Particulars	L.F.	Amount(Tk.)	
			Debit	Credit
	Dr. Party's Account ----- (Dr)		XXX	
	MBL General A/C ----- (Cr)			XXX
	Income A/C ----- (Cr)			XXX

The branch will issue payment Instructions to the Reimbursing Bank under intimation to the Beneficiary Bank or advise the Beneficiary Bank to claim reimbursement, if an R/A was advised earlier at the time of opening L/C or advising maturity date of accepted bill.

Post-import Financing:

If there is no available cash in importer's hand, he can request the bank to grant loan against the documents for the purpose of post import finance. There is one form of post import finance available in MBL, Nayabazar Branch.

- LTR (Loan against Trust Receipt).

LIR:

On the arrival of goods and lodgment of import documents, importer may request the bank for clearance of goods from the port (custom). Proper sanction from the competent authority is to be obtained before clearance of consignment.

For giving these types of loan, officer makes loan proposal and sends it to H/O for approval. After getting approval from H/O, bank grants loan in the form of LTR. It is needless to say that bank only deals with the documents, not with goods & services in case of foreign exchange business.

3.7 EXPORT SECTION

MBL is running exciting as well lively export to deliver the surplus products to other countries and thereby earns huge amount of foreign currency. Payment for goods exported from Bangladesh should be received through an Authorized Dealer in freely convertible foreign currency or in Bangladeshi Taka from a Non – Resident Account.

Here, it is mentionable that **MBL’s Nayabazar Branch does not have Export Section**. Let’s see how MBL’s Main Branch as well as few of other branches work in Export Section. In the Export Section, two types of L/C are handled –

- 1) Back-to-Back L/C; and
- 2) Export L/C

Export financing can be done in two ways. These are:

- 1) Pre-shipment Financing;
- 2) Post-shipment Financing.

Pre-shipment financing can be done by opening of back-to-back L/C and Packing Cash Credit (PCC). In case of pre-shipment financing, about 90% is financed by the bank. Of that portion, about 75% is for back-to-back L/C and 10% is for packing cash credit. Financing in back-to-back L/C changes according to the products i.e., Normal fabric, Flannel fabric, woven fabric etc. Example of post-shipment financing by bank is Foreign Documentary Bills for Purchase (FDBP).

Parties to Export Transaction:

1. L/C Issuing Bank
2. Importer
3. L/C Advising Bank
4. Exporter

5. Confirming Bank
6. Negotiating Bank
7. The Paying/Reimbursing Bank

Back-to-back L/C:

In case of a “Back-to-Back” letter of credit, a new L/C (an import L/C) is opened on the basis of an original L/C (an export L/C). Under the “Back-to-Back” concept, the seller as the beneficiary is as a ‘security’ to the Advising Bank. The beneficiary of the back-to-back L/C may be located inside or outside the original beneficiary’s country. In case of a back-to-back L/C, no cash security (no margin) is taken by the bank; bank liens the first L/C (the master L/C). In case of a back-to-back L/C, the drawn bill is usage/time bill.

Papers/Documents required for opening of back-to-back L/C are as follow as -

- Master L/C
- Valid Import Registration Certificate (IRC) and Export Registration Certificate (ERC)
- L/C Application and LCAF duly filled in and signed
- Pro-forma Invoice or Indent
- Insurance Cover Note with money receipt
- IMP Form duly signed

In addition to the above documents, the following papers/documents are also required to export oriented garment industries while requesting for opening of back-to-back letter of credit –

- Textile Permission
- Valid Bonded Warehouse License
- Quota Allocation Letter issued by the Export Promotion Bureau (EPB) in favor of the applicant for quota items
- A permission from Bangladesh Garments Manufacturer’s & Exporter’s Association (BGMEA)

In case the factory premises is a rented one, Letter of Disclaimer duly executed by the owners of the house/premises to be submitted. A checklist to open back-to-back L/C is as follows –

- Applicant is registered with CCI&E and has bonded warehouse license
- The master L/C has adequate validity period and has no defective clause
- L/C value shall not exceed the admissible percentage of net FOB value of relative Master L/C
- Usage Period will be up to 180 days

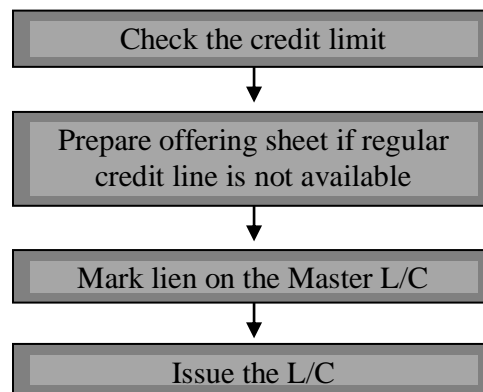


Figure 3-12: Flow Chart for back-to-back L/C

Payment for Back-to-back L/C:

In case of back-to-back L/C for 30, 60, 90, 120 & 180 days of maturity period, deferred payment is made. Payment is given after realizing export proceeds from the L/C Issuing Bank. For Garments Sector, the duration can be maximum 180 days. For importing machinery items or capital goods for 360 days Back-to-Back L/C can be opened.

Reporting to Bangladesh Bank:

At the end of every month, the reporting to Bangladesh Bank regarding the following information is mandatory –

- Filling of E-2/P-2 Schedule of S-1 category that covers the entire month's amount of import, category of goods, currency, country etc.
- Filling of E-3/P-3 Schedule of for all charges, commission with T/M Form.
- Disposal of IMP Form; they includes: (a) original IMP is forwarded to Bangladesh Bank with invoice and indent, (b) duplicate IMP is kept with the branch along with the Bill of Entry/Certified Invoice, (c) triplicate IMP is kept with the branch for office record, (d) quadruplicate is kept for submission to Bangladesh Bank in case of imports where documents are retired.

Export L/C:

The other type of L/C facility offered by MBL's few other branches (not Nayabazar Branch) are Export L/C. Bangladesh exports a large quantity of goods and services to other countries. Readymade garments (both knitted and woven), jute, jute-made products, frozen shrimps, tea are the main goods that Bangladeshi exporters export to foreign countries. Garments Sector is the largest sector that exports the utmost share of the country's export. Bangladesh exports most of its readymade garments products to USA and European Community (EC) countries. Bangladesh exports about 40% of its readymade garments products to USA. Most of the exporters who export through MBL are readymade garments exporters.

Test Key Agreement:

Test Key Arrangement is a secret code maintained by the banks for the authentication for their telex messages. It is a systematic procedure by which a test number is given and the person to whom this number is given can easily authenticate the same test number by maintaining that same procedure. MBL Nayabazar Branch has test key arrangements with so many banks for the authentication of L/C messages and for the transfer of funds.

5.7 FOREIGN REMITTANCE SECTION

Foreign remittance refers to the transfer of funds from one country to another which may be within the country or between two countries through banking channel post office or the informal channel.

Foreign Remittance means purchase and sale of freely convertible foreign currencies as admissible “Foreign Exchange Regulation Act 1947” and “Guidelines for Foreign Exchange Transaction-VOL, 1 & 2” of the country. Purchase of foreign currencies constitutes inward foreign remittance and sale of foreign currencies constitutes outward foreign remittance.

Remittance Services

Mercantile Bank Limited maintains a strong network with the Overseas Exchange Companies & Banks in different parts of the world ensuring better remittance services for its customers. The following are the list of Overseas Exchange companies/Banks having arrangement with mercantile Bank Limited.

The particulars are specified in [Appendix - I](#)

We can see it by the following figures:

There are two types of Foreign Remittance:

- Foreign Outward Remittance
- Foreign Inward Remittance

Here, it is mentionable that Foreign Exchange Department of MBL’s Nayabazar branch does not deal Export side yet. **So, MBL’s Nayabazar branch has no Outward Foreign Remittance.**

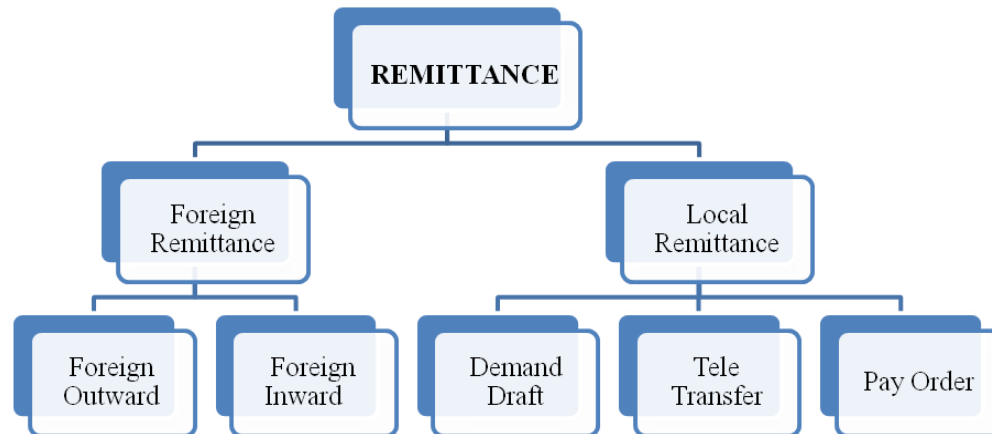


Figure 3-13: Types of Remittance

Remittance Position of MBL, Nayabazar Branch – At a Glance

Present situation of Inward Remittance of MBL, Nayabazar branch (with number, & currency) is given below:

YEAR	NO. OF REMITTANCE	USD	EUR	JPY
2003	6	1,683.02	11,889.93	1,700,000.00
2004	7	11,488.45	3,492.81	
2005	2		1,300.00	
2006	1	104.34		
2007	16	8,620.96	14,450.00	
2008	8	3,514.73	7,600.00	

Table 3-4: Present situation of Inward Remittance of MBL

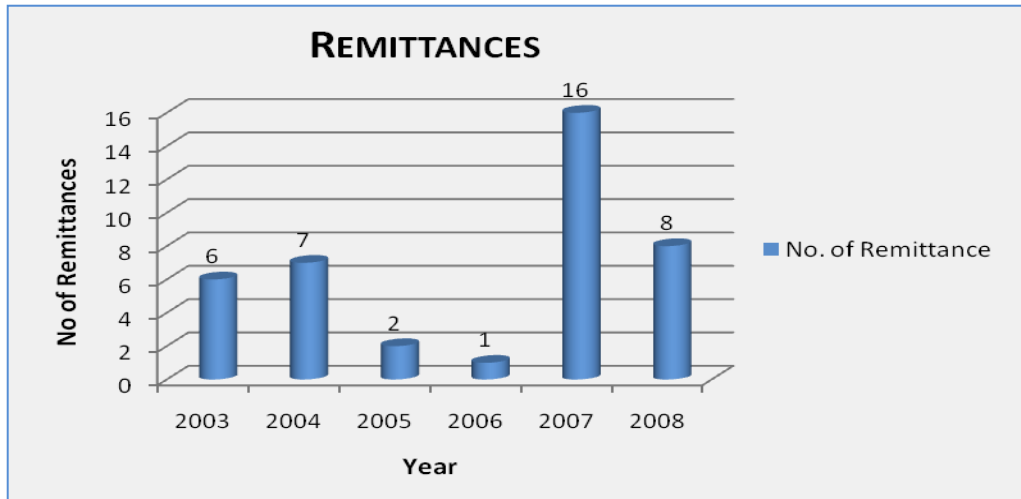


Figure 3-14: Yearly Remittance Position

From the above graph, we can see that number of Remittance in 2007 sharply increased dramatically.

Remittance Position Proportionately:

The total remittance of the MBL since year 2003 to 2008 is given as follows.

The graphical description contained in [Appendix - J](#)

YEAR	NO. OF REMITTANCE	USD	EUR	JPY
2003	6	1	4	1
2004	7	5	2	
2005	2		2	
2006	1	1		
2007	16	10	6	
2008	8	4	4	

Table 3-5: Yearly Remittance Position Proportionately

Foreign Inward Remittance:

Foreign Inward Remittance refers to the currency / remittance in foreign currency that is received from abroad to our country. In case of foreign inward remittance, TT, MT, Draft etc are drawn in local bank by the foreign banks of exchange houses. When local bank purchases foreign bills, TC's and cash foreign currency is also known as inward remittance. A local bank also receives indenting commission of local firm, trademarks, patent fee etc.

Inward remittance can be classified in to two groups:

- Visible Inward Remittance such as export proceeds.
- Invisible Inward Remittance such as family maintenance, constancy fee etc.

Purposes of Inward Remittance:

- Family maintenance.
- Donation.
- Indenting commission.
- Gift.
- Foreign investment.
- Export proceeds.
- Other.

Mode of Inward Remittance:

- Telegraphic Transfer (TT).
- Mail Transfer (MT).
- Foreign Demand Draft (FDD).
- Foreign Currency Notes.
- Travelers Cheques (TC).
- Payment Order (PO).
- Cover of export

Problem Regarding to Inward Remittance:

- Name of the beneficiary, account no. or correct branch name may not be given in the TT. Those are the required particulars of the beneficiary.
- Further genuises or signature of drafts may be forged.

In case of payment, sometimes branches of the bank may create certain problems:

- Delay in making payment against remittance to the beneficiary.
- Without ascertain genuinely, drafts may be paid.
- Lack of timely response/communication against the queries of remitter/beneficiary.
- Credit TRV's may not be timely sent to head office. Moreover particulars may not be given in the TRV's.

If beneficiary is not available, inward remittance may be cancelled. If an inward remittance already reported to Bangladesh Bank is cancelled either in full or in part become of non-availability of beneficiary. The authorized dealer must report the cancellation of the remittance as an outward remittance on TM form.

Telegraphic Transfer:

Telegraphic Transfer refers to the payment instruction by tested telex/cable or authenticated fax by bank in abroad on an inland bank (local/foreign bank). Normally foreign banks with which corresponding banking relationship / drawing prevails, send T.T.

Payment procedure of TT (Inward):

- To verify the test number.
- To inform the beneficiary for submission of form "C".
- To confirm from Issuing Bank / Reimbursing Bank.
- To convert of Foreign Currency into Bangladeshi Tk. with TT (CLEAN).
- To make entry in TT's Drafts, MT's received register.

Following vouchers are passed:

For crediting a SB/CD A/C:

Date	Particulars	L.F.	Amount(Tk.)	
			Debit	Credit
	MBL General A/C H.O., ID @ OD Transfer rate (Dr) Party A/C ----- (Cr) (TT Handling charge)		XXX	XXX

Foreign Demand Draft:

The foreign bank/exchange company on local bank usually issues Foreign Demand Draft. It is an order to pay a certain sum to a certain person or as his instruction, issued by the bank on its overseas branch or on its correspondent bank. The demand draft is handed over to the purchaser who sends it to the beneficiary. The beneficiary obtains payment on presentation to the bank on which the draft is drawn.

Encashment of FDD may take place in two ways –

- Purchase,
- Sending for collection.

Purchase:

The following criteria must be fulfilled –

- Firstly, the party applies for a Foreign Bill Purchase (FBP) to limit the facility, which is approved by the Head Office authority for a certain period.
- The local banks will entertain valued clients with this facility.
- The party will give an undertaking regarding adjustment of FBP liabilities which is offered to him in case of non-realization of proceeds (FDD).
- It is necessary that all relevant charge documents (D.P. Note, Personal Guarantee etc.) be collected from the party.

The following vouchers are passed after it is posted in the FBP register:

Date	Particulars	L.F.	Amount(Tk.)	
			Debit	Credit
	FBP (at the spot buying rate) -----(Dr)		XXX	
	Income A/C Commission others (Tk. 50/-)----(Cr)			XXX
	Income A/C Postage (Tk. 50/-) -----(Cr)			XXX

The FDD is sent to the American Express Bank, Standard Chartered Bank, Dhaka for collection. It is drawn on a foreign bank in abroad otherwise it is sent to the respective bank on which the FDD is drawn. After giving endorsement on the backside of the FDD.

After realizing proceeds, the following vouchers are passed:

Date	Particulars	L.F.	Amount(Tk.)	
			Debit	Credit
	MBL Bank G/A Nayabazar branch -----(Dr)		XXX	
	FBP (liability adjusted) -----(Cr)			XXX
	Income A/C (Exchange Gain) -----(Cr)			XXX

Sending for collection:

It is posted in the Foreign Documentary Bills for Collection. The following functional activities are undertaken for a FDBC –

- It is posted in the FDBC register. FDBC No. is assigned to the FDD.
- After receiving credit advice, the following vouchers are passed –

Date	Particulars	L.F.	Amount(Tk.)	
			Debit	Credit
	MBL Bank, General A/C, ID (at spot buying TT clean rate) -----(Dr)		XXX	
	Party A/C -----(Cr)			XXX
	Income A/C Postage (Tk. 50/-) -----(Cr)			XXX
	Income A/C Commission (Tk. 50/-) ----(Cr)			XXX
	(As handling charge)			

Endorsement of US\$ Passport:

MBL endorses US Dollars (USD), Great Britain Pound (GBP) in passports. To endorse US Dollar, the client has to apply in the prescribed form (TM Form). The following entries are given in this regard –

Date	Particulars	L.F.	Amount(Tk.)	
			Debit	Credit
	Cash or Custom A/C ----- (Dr)		XXX	
	Foreign Currency on Hand ----- (Cr) (Dollar Special)			XXX

Student File Open:

As we know that Bangladeshi Taka is not fully convertible. Only current account, not capital account of our currency is convertible. But in case of students who studied abroad can take any amount for their study cost. Thus MBL, Nayabazar Branch opens student file to remit the costs to the respective institutes on behalf of the student subject to scrutinizing the appropriate documents issued from the registrar.